



City of Mbombela  
Annual Financial Statements  
for the year ended 30 June 2018

# City of Mbombela

(Registration number MP326)

Annual Financial Statements for the year ended 30 June 2018

## General Information

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### Nature of business and principal activities

The City of Mbombela was established as a Category B municipality as determined by the Demarcation Board in terms of Section 4 of the Municipal Demarcation Act and the Provincial Gazette No 2721. The principal activities of the City are to provide services to communities in a sustainable manner, promoting social and economic development and encouraging the involvement of communities and community organizations in the matters of local government in accordance with Section 152 of the Constitution.

### Members of the Mayoral committee (MMC) and their portfolios

Cllr MJ Msibi (Speaker)

Cllr ME Nsimbini (Chief Whip)

Cllr SP Mathonsi (Executive Mayor)

Cllr BN Mdhuli (MMC City Planning and Development)

Cllr C Maseko (MCC Corporate Services)

Cllr PP Nyalunga (MMC Public Safety)

Cllr PV Mashego (MMC Energy)

Cllr PV Mkhathshwa (MMC Public Works, Roads and Transport and Leader of Government Business)

Cllr LE Nyalunga (MMC Strategic Management Services)

Cllr NE Gecelo - Mkhabela (MMC Financial Management)

Cllr A Kumba (MMC Regional Centre Coordination)

Cllr GS Siwela (MMC Water and Sanitation)

Cllr MM Mlimi (MMC Community Services)

Councillor	Ward	Councillor	Ward
Cllr EA Fakomo	1	Cllr MC Mhlanga	25
Cllr MJ Msibi	2	Cllr TM Bulunga	26
Cllr DJ Nkosi	3	Cllr DB Nkosi	27
Cllr DD Ngwenyama	4	Cllr SR Masuku	28
Cllr MJ Malomane	5	Cllr TK Nyathi	29
Cllr HB Fakude	6	Cllr TMJ Grove'-Morgan	30
Cllr SM Banda	7	Cllr BA Nyalunga	31
Cllr SE Mbuyane	8	Cllr KG Ndhlovu	32
Cllr EM Sebashe	9	Cllr EK Manzini	33
Cllr DDT Ngobe	10	Cllr RF Mgwenya	34
Cllr EM Mutobvu	11	Cllr RQ Molemo	35
Cllr BP Nkhoma	12	Cllr JJ Khoza	36
Cllr A Thabethe	13	Cllr NM Maganga	37
Cllr KM MKhonto	14	Cllr ST Masha	38
Cllr T Marshall	15	Cllr SI Mokoena	39
Cllr KA Oliver	16	Cllr LM Sikonela	40
Cllr S Van Der Merwe	17	Cllr LM Bhembe	41
Cllr JB Mashaba	18	Cllr MC Nkosi	42
Cllr DB Mkhathshwa	19	Cllr HL Shongwe	43
Cllr LC Sibiya	20	Cllr JJ Mkhabela	44
Cllr NA Mokoena	21	Cllr LB Nkosi	45
Cllr TM Pila	22		
Cllr ME Mhawule	23		
Cllr NL Lukhele	24		

# City of Mbombela

(Registration number MP326)

Annual Financial Statements for the year ended 30 June 2018

## General Information

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### Proportional Representative Councillors (PR)

Councillor	Ward	Councillor	Ward
Cllr PP Mbowane	1	Cllr BA Nyalunga	25
Cllr MC Mhlanga	2	Cllr ME Nsimbini	26
Cllr SR Schorman	3	Cllr AS Mthunywa	27
Cllr LT Mlombo	4	Cllr MJ Hlophe	28
Vacant	5	Cllr JV Mhlaba	29
Cllr K Mdhuli	6	Cllr PV Mashego	30
Cllr JM Mazibane	7	Cllr PCW Minaar	31
Vacant	8	Cllr MG Moyana	32
Cllr MM Mlimi	9	Cllr GM Nkambule	33
Cllr EN Sibambo	10	Cllr FS Nkosi	34
Cllr M Mbewe	11	Cllr LM Shongwe	35
Cllr HP Celliers	12	Cllr SP Mathonsi	36
Cllr NE Gecelo - Mkhabela	13	Cllr WP Sibiya	37
Cllr BP Mhlanga	14	Cllr SE Makushe	38
Cllr EG Janse van Rensburg	15	Cllr L Maseko	39
Cllr MK Matsemela	15	Cllr BN Mdlhuli	40
Cllr GCB Anthony	16	Cllr TG Mabuza	41
Cllr C Maseko	17	Cllr ME Jacobs	42
Cllr TM Charles	18	Cllr A Kumba	43
Cllr LE Nyalunga	19	Cllr MS Mashele	44
Cllr LE Siboza	20	Cllr PV Mkhathshwa	45
Cllr L Ngwenyama	21		
Cllr PP Nyalunga	22		
Cllr GS Siwela	23		
Cllr DE Shongwe	24		

### Audit and Performance Audit Committee

Mrs TH Mbatha	Chairperson
Mrs PAC Mangoma	Member (Resigned 27 September 2017)
Mr SM Ndukuya	Member
Ms LWS Ngwenya	Member
Ms SL Lubisi	Member (Commenced 1 February 2018)

### Acting Municipal Manager

Mr. N. Diamond

### Acting Chief Financial Officer

Mr. WJ Khumalo

### Registered office

Mbombela Civic Centre

### Physical address

Civic Centre  
1 Nel Street

# City of Mbombela

(Registration number MP326)

Annual Financial Statements for the year ended 30 June 2018

## General Information

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	Mbombela 1200
<b>Postal address</b>	P.O. Box 45 Mbombela 1200
<b>Bankers</b>	ABSA bank Mbombela 2nd Floor, ABSA Square 20 Paul Kruger Street Mbombela 1201
<b>Auditors</b>	Auditor General South Africa - Mpumalanga 10 Nel Street Mbombela 1200
<b>Telephone number</b>	(013) 759 9111
<b>Fax number</b>	(013) 759 2002
<b>Website address</b>	<a href="http://www.mbombela.gov.za">www.mbombela.gov.za</a>
Enquiries	
Building Plans	(013) 759 2184
Electricity	(013) 759 2231
Water and Sewerage	(013) 759 2580
Customer Care	(013) 759 2025 / 2064
Paypoints	
White River	(013) 751 1176
KaNyamazane	(013) 794 1254
Matsulu	(013) 778 9061
Kabokweni	(013) 796 0227
Hazyview	(013) 737 7346
Mbombela Civic Centre	(013) 759 2025 / 2064
Mbombela - The Grove Riverside	(013) 759 9912 / 9913
Barberton Municipal offices	(013) 712 8800 / 2121
<b>Libraries</b>	
Kabokweni	(013) 796 1082 / 0590
Matsulu	(013) 778 9864 / 9000
Mbombela	(013) 759 2077
Nelsville	(013) 755 4788
White River	(013) 750 9125 / 6039
Victory Park	(013) 759 2089
Hazyview	(013) 737 7220 / 7346
Barberton - Town Library	(013) 712 8800
Barberton - Emjindini Library	(013) 712 8800

# City of Mbombela

(Registration number MP326)

Annual Financial Statements for the year ended 30 June 2018

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The reports and statements set out below comprise the annual financial statements for the year ended 30 June 2018:

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The following supplementary information does not form part of the annual financial statements and is unaudited:

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# City of Mbombela

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### Abbreviations

DBSA	Development Bank of Southern Africa
DME	Department of Minerals and Energy
DWS	Department of Water and Sanitation
EPWP	Expanded Public Works Programme
FMG	Finance Management Grant
GRAP	Generally Recognised Accounting Practice
INEP	Integrated National Electrification Programme
MFMA	Municipal Finance Management Act No 56 of 2003
MIG	Municipal Infrastructure Grant
WSIG	Water Services Infrastructure Grant
MSIG	Municipal System Improvement Grant
PAYE	Pay As You Earn
PR Councillor	Proportional Representative Councillor
PTNG	Public Transport Network Grant
R	Rand
SARS	South African Revenue Services

## **City of Mbombela**

(Registration number MP326)

Annual Financial Statements for the year ended 30 June 2018

### **Approval and certification of Annual Financial Statements**

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I am responsible for the preparation of these annual financial statements, which are set out on pages 7 to 109, in terms of Section 126(1) of the Municipal Finance Management Act No 56 of 2003 and which I have signed on behalf of the Municipality. The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP), other applicable accounting standards and reporting framework approved by the Accounting Standards Board and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates. These financial statements fairly presents the state of affairs of the municipality, its management of revenue, expenditure, assets and liabilities, its business activities, its financial results, and its financial position as at 30 June 2018.

I certify that the salaries, allowances and benefits of Councillors, as disclosed in note 34 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act and the Minister of Co-operative Governance and Traditional Affairs determination in accordance with this Act:

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**Mr. N Diamond**  
**Acting Municipal Manager**

# City of Mbombela

(Registration number MP326)

Annual Financial Statements for the year ended 30 June 2018

## Statement of Financial Position

Figures in Rand	Note(s)	2018	2017 Restated*
<b>Assets</b>			
<b>Current Assets</b>			
Inventories	2	19,100,885	17,884,049
Other receivables from exchange transactions	3	98,798,874	81,774,379
Trade receivables from non-exchange transactions	4	87,028,344	62,343,502
Value Added Tax receivable	5	50,830,617	86,156,226
Cash and cash equivalents	6	92,886,779	23,864,280
Operating lease asset	24	232,381	42,358
Trade receivables from exchange transactions	7	97,279,374	142,084,555
Deposits	8	4,755,819	4,710,819
		<b>450,913,073</b>	<b>418,860,168</b>
<b>Non-Current Assets</b>			
Investment property	9	332,430,880	336,716,575
Property, plant and equipment	10	7,197,767,561	7,216,106,766
Intangible assets	11	16,126,001	16,047,991
Heritage assets	12	2,301,970	2,301,970
Investments	13	18,397,643	17,260,144
Non - current portion of receivables		3,006,240	2,405,412
		<b>7,570,030,295</b>	<b>7,590,838,858</b>
<b>Total Assets</b>		<b>8,020,943,368</b>	<b>8,009,699,026</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Current portion of borrowings	14	58,133,948	17,954,254
Other financial liabilities	15	4,053,040	3,544,397
Trade and other payables from exchange transactions	16	1,442,471,881	1,290,296,736
Other payables from non - exchange transactions	17	11,329,165	9,900,399
Current portion of long service awards	18	8,800,727	3,179,258
Unspent conditional grants and receipts	19	153,208,828	169,521,358
Current portion of provisions	20	3,465,803	3,334,744
Finance lease obligation	21	4,639,134	1,941,807
Consumer deposits	22	36,919,233	34,593,682
Current portion of post employment benefit liability	23	4,330,280	3,786,440
		<b>1,727,352,039</b>	<b>1,538,053,075</b>
<b>Non-Current Liabilities</b>			
Non - current portion of borrowings	14	242,213,202	287,751,759
Non - current portion of long service awards	18	59,955,061	53,295,915
Finance lease obligation	21	876,609	4,632,909
Operating lease liability	24	533,634	271,543
Non - current portion of post employment benefit liability	23	144,778,791	137,179,853
Non - current portion of provisions	20	153,913,254	114,344,014
		<b>602,270,551</b>	<b>597,475,993</b>
<b>Total Liabilities</b>		<b>2,329,622,590</b>	<b>2,135,529,068</b>
<b>Net Assets</b>		<b>5,691,320,778</b>	<b>5,874,169,958</b>
Accumulated surplus		5,691,320,778	5,874,169,958

\* See Note 45



# City of Mbombela

(Registration number MP326)

Annual Financial Statements for the year ended 30 June 2018

## Statement of Financial Performance

Figures in Rand	Note(s)	2018	2017 Restated*
<b>Revenue</b>			
<b>Revenue from exchange transactions</b>			
Service charges	25	1,095,011,500	971,061,274
Rental of facilities and equipment	26	9,878,092	13,995,228
Agency services	27	38,796,084	34,708,403
Other income	28	43,606,700	32,541,418
Finance income	29	51,490,854	28,240,405
Gain on impairment reversal	30	218,367,607	-
<b>Total revenue from exchange transactions</b>		<b>1,457,150,837</b>	<b>1,080,546,728</b>
<b>Revenue from non-exchange transactions</b>			
<b>Taxation revenue</b>			
Property rates	31	466,134,060	370,132,722
<b>Transfer revenue</b>			
Government grants & subsidies	32	1,219,533,269	1,132,384,399
Fines, Penalties and Forfeits		6,631,065	6,592,387
<b>Total revenue from non-exchange transactions</b>		<b>1,692,298,394</b>	<b>1,509,109,508</b>
<b>Total revenue</b>		<b>3,149,449,231</b>	<b>2,589,656,236</b>
<b>Expenditure</b>			
Employee related costs	33	(792,797,261)	(592,745,075)
Remuneration of councillors	34	(38,421,823)	(30,680,102)
Depreciation and amortisation	35	(501,138,401)	(457,594,242)
Finance costs	37	(65,472,844)	(50,042,988)
Operating lease	36	(6,454,917)	(9,996,961)
Bad debts written off	38	(378,672,889)	(23,416,680)
Bulk purchases	39	(706,901,232)	(612,970,706)
Contracted services	40	(531,743,943)	(623,135,766)
Transfers and subsidies	41	(40,549,789)	(39,270,698)
Loss on disposal of assets and liabilities		(3,547,503)	(520,827)
Impairment loss		-	(72,265,685)
Inventories losses/write-downs		-	(679,418)
General expenses	42	(266,597,803)	(227,128,000)
<b>Total expenditure</b>		<b>(3,332,298,405)</b>	<b>(2,740,447,148)</b>
<b>Deficit for the year</b>		<b>(182,849,174)</b>	<b>(150,790,912)</b>

\* See Note 45

## City of Mbombela

(Registration number MP326)

Annual Financial Statements for the year ended 30 June 2018

### Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
Opening balance as at 11 August 2016	6,072,816,941	6,072,816,941
Prior year adjustments	(47,856,071)	(47,856,071)
<b>Balance as at 11 August 2016 restated*</b>	<b>6,024,960,870</b>	<b>6,024,960,870</b>
Changes in net assets		
Restated deficit for the period	(150,790,912)	(150,790,912)
Total changes	(150,790,912)	(150,790,912)
	5,874,169,952	5,874,169,952
<b>Restated* Balance at 1 July 2017 as restated*</b>	<b>5,874,169,952</b>	<b>5,874,169,952</b>
Deficit for the year	(182,849,174)	(182,849,174)
Total changes	(182,849,174)	(182,849,174)
<b>Balance at 30 June 2018</b>	<b>5,691,320,778</b>	<b>5,691,320,778</b>

See note 45 for accounting error adjustments disclosure.

\* See Note 45

# City of Mbombela

(Registration number MP326)

Annual Financial Statements for the year ended 30 June 2018

## Cash Flow Statement

Figures in Rand	Note(s)	2018	2017 Restated*
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Property rates		436,605,337	374,821,716
Sale of goods and services		921,449,074	834,899,850
Government grants and subsidies		1,203,220,739	1,127,569,683
Finance income		51,445,854	28,240,405
Other income		86,731,327	56,154,006
		<u>2,699,452,331</u>	<u>2,421,685,660</u>
<b>Payments</b>			
Employee costs		(806,360,336)	(658,530,124)
Bulk purchases		(691,371,770)	(491,955,863)
Finance costs		(65,493,034)	(46,290,033)
Other payments		(615,260,707)	(573,363,332)
Grants and Subsidies paid		(40,549,789)	(39,270,698)
		<u>(2,219,035,636)</u>	<u>(1,809,410,050)</u>
<b>Net cash flows from operating activities</b>	43	<b>480,416,695</b>	<b>612,275,610</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	10	(408,047,862)	(603,004,823)
Proceeds from sale of property, plant and equipment	10	(1,645,703)	1,224,853
Proceeds from sale of investment property	9	2,604,000	-
Purchase of other intangible assets	11	(1,245,462)	(7,929,169)
Increase in financial assets		(1,137,499)	(993,850)
Purchase of non - current portion of receivables		(600,828)	159,164
<b>Net cash flows from investing activities</b>		<b>(410,073,354)</b>	<b>(610,543,825)</b>
<b>Cash flows from financing activities</b>			
Repayment of non-current portion of borrowings		(5,358,863)	(4,710,731)
Movement in other financial liabilities		7,167,789	754,021
Finance lease payments		(3,129,768)	(266,368)
<b>Net cash flows from financing activities</b>		<b>(1,320,842)</b>	<b>(4,223,078)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>69,022,499</b>	<b>(2,491,293)</b>
Cash and cash equivalents at the beginning of the year		23,864,280	26,355,573
<b>Cash and cash equivalents at the end of the year</b>	6	<b>92,886,779</b>	<b>23,864,280</b>

\* See Note 45

# City of Mbombela

(Registration number MP326)

Annual Financial Statements for the year ended 30 June 2018

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

### Statement of Financial Performance

#### Revenue

##### Revenue from exchange transactions

Service charges	1,178,526,401	(1,000,000)	<b>1,177,526,401</b>	1,095,011,500	<b>(82,514,901)</b>	
Rental of facilities and equipment	24,305,842	(5,000,000)	<b>19,305,842</b>	9,878,092	<b>(9,427,750)</b>	57.1
Agency services	193,095,536	(4,910,000)	<b>188,185,536</b>	38,796,084	<b>(149,389,452)</b>	57.2
Other income	63,690,142	(4,430,642)	<b>59,259,500</b>	43,606,700	<b>(15,652,800)</b>	57.3
Finance Income	35,180,936	2,000,000	<b>37,180,936</b>	51,490,854	<b>14,309,918</b>	57.4
<b>Total revenue from exchange transactions</b>	<b>1,494,798,857</b>	<b>(13,340,642)</b>	<b>1,481,458,215</b>	<b>1,238,783,230</b>	<b>(242,674,985)</b>	

##### Revenue from non-exchange transactions

##### Taxation revenue

Property rates	513,666,671	-	<b>513,666,671</b>	466,134,060	<b>(47,532,611)</b>	
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##### Transfer revenue

Government grants & subsidies	1,292,970,000	(12,592,000)	<b>1,280,378,000</b>	1,219,533,269	<b>(60,844,731)</b>	
Fines, Penalties and Forfeits	29,943,988	(15,000,000)	<b>14,943,988</b>	6,631,065	<b>(8,312,923)</b>	57.5
<b>Total revenue from non-exchange transactions</b>	<b>1,836,580,659</b>	<b>(27,592,000)</b>	<b>1,808,988,659</b>	<b>1,692,298,394</b>	<b>(116,690,265)</b>	

#### Total revenue

<b>3,331,379,516</b>	<b>(40,932,642)</b>	<b>3,290,446,874</b>	<b>2,931,081,624</b>	<b>(359,365,250)</b>	
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#### Expenditure

Employee related costs	(731,750,478)	(26,453,471)	<b>(758,203,949)</b>	(792,797,261)	<b>(34,593,312)</b>	
Remuneration of councillors	(39,597,755)	-	<b>(39,597,755)</b>	(38,421,823)	<b>1,175,932</b>	
Depreciation and amortisation	(260,361,138)	(254,454,955)	<b>(514,816,093)</b>	(501,138,401)	<b>13,677,692</b>	
Finance costs	(25,770,315)	5,969,778	<b>(19,800,537)</b>	(65,472,844)	<b>(45,672,307)</b>	57.6
Operating lease	-	-	-	(6,454,917)	<b>(6,454,917)</b>	
Bad debts written off	-	-	-	(378,672,889)	<b>(378,672,889)</b>	57.7
Debt impairment	(57,986,805)	(15,981,344)	<b>(73,968,149)</b>	-	<b>73,968,149</b>	57.8
Other materials	(54,903,961)	3,039,081	<b>(51,864,880)</b>	(38,357,549)	<b>13,507,331</b>	57.9
Bulk purchases	(640,935,084)	(45,178,254)	<b>(686,113,338)</b>	(706,901,232)	<b>(20,787,894)</b>	
Contracted services	(535,270,374)	21,676,332	<b>(513,594,042)</b>	(531,743,943)	<b>(18,149,901)</b>	
Transfers and subsidies paid	(47,365,111)	5,154,720	<b>(42,210,391)</b>	(40,549,789)	<b>1,660,602</b>	57.10
General expenses	(288,917,271)	4,464,266	<b>(284,453,005)</b>	(228,240,254)	<b>56,212,751</b>	
<b>Total expenditure</b>	<b>(2,682,858,292)</b>	<b>(301,763,847)</b>	<b>(2,984,622,139)</b>	<b>(3,328,750,902)</b>	<b>(344,128,763)</b>	
<b>Operating deficit</b>	<b>648,521,224</b>	<b>(342,696,489)</b>	<b>305,824,735</b>	<b>(397,669,278)</b>	<b>(703,494,013)</b>	
Gain on disposal of assets	-	-	-	(3,547,503)	<b>(3,547,503)</b>	
Impairment loss reversal	-	-	-	218,367,607	<b>218,367,607</b>	
	-	-	-	<b>214,820,104</b>	<b>214,820,104</b>	
<b>Deficit before taxation</b>	<b>648,521,224</b>	<b>(342,696,489)</b>	<b>305,824,735</b>	<b>(182,849,174)</b>	<b>(488,673,909)</b>	
	<b>648,521,224</b>	<b>(342,696,489)</b>	<b>305,824,735</b>	<b>(182,849,174)</b>	<b>(488,673,909)</b>	

# City of Mbombela

(Registration number MP326)

Annual Financial Statements for the year ended 30 June 2018

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

### Statement of Financial Position

#### Assets

##### Current Assets

Inventories	113,570,088	-	113,570,088	19,100,885	(94,469,203)	
Operating lease asset	-	-	-	232,381	232,381	
Other receivables from exchange transactions	54,923,255	-	54,923,255	16,564,933	(38,358,322)	
Trade receivables from non-exchange transactions	98,302,559	-	98,302,559	87,028,344	(11,274,215)	
VAT receivable	68,029,043	-	68,029,043	50,830,617	(17,198,426)	57.11
Trade receivables from exchange transactions	105,671,313	12,944,856	118,616,169	97,279,374	(21,336,795)	
Deposits	-	-	-	4,755,819	4,755,819	
Cash and cash equivalents	209,867,042	(62,440,871)	147,426,171	92,886,779	(54,539,392)	57.11
	<b>650,363,300</b>	<b>(49,496,015)</b>	<b>600,867,285</b>	<b>368,679,132</b>	<b>(232,188,153)</b>	

##### Non-Current Assets

Investment property	343,684,277	-	343,684,277	332,430,880	(11,253,397)	
Property, plant and equipment	7,436,587,611	165,504,220	7,602,091,831	7,197,767,561	(404,324,270)	
Intangible assets	12,355,713	-	12,355,713	16,126,001	3,770,288	
Heritage assets	2,301,970	-	2,301,970	2,301,970	-	
Investments	20,509,354	32,490,646	53,000,000	18,397,643	(34,602,357)	
Non - current portion of receivables	-	-	-	3,006,240	3,006,240	
	<b>7,815,438,925</b>	<b>197,994,866</b>	<b>8,013,433,791</b>	<b>7,570,030,295</b>	<b>(443,403,496)</b>	

#### Total Assets

**8,465,802,225 148,498,851 8,614,301,076 7,938,709,427 (675,591,649)**

#### Liabilities

##### Current Liabilities

Current portion of borrowings	20,410,487	-	20,410,487	58,133,948	37,723,461	
Finance lease obligation	-	-	-	4,639,134	4,639,134	
Trade and other payables from exchange transactions	368,430,133	115,698,949	484,129,082	1,442,471,886	958,342,804	56.12
Trade and other payables from non-exchange transactions	10,498,774	-	10,498,774	11,329,165	830,391	
Consumer deposits	28,483,168	-	28,483,168	36,919,233	8,436,065	57.12
Current portion of post employment benefit liability	4,101,971	-	4,101,971	4,330,280	228,309	
Unspent conditional grants and receipts	88,588,674	-	88,588,674	153,208,828	64,620,154	57.12
Current portion of provisions	5,134,557	-	5,134,557	3,465,803	(1,668,754)	
Current portion of long service award	-	-	-	8,800,727	8,800,727	
Other financial liabilities	-	-	-	4,053,040	4,053,040	
	<b>525,647,764</b>	<b>115,698,949</b>	<b>641,346,713</b>	<b>1,727,352,044</b>	<b>1,086,005,331</b>	

##### Non-Current Liabilities

# City of Mbombela

(Registration number MP326)

Annual Financial Statements for the year ended 30 June 2018

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Non - current portion of borrowings	262,370,760	-	<b>262,370,760</b>	242,213,202	<b>(20,157,558)</b>	
Finance lease obligation	-	-	-	876,609	<b>876,609</b>	
Operating lease liability	-	-	-	533,634	<b>533,634</b>	
Employee benefit obligation	136,102,600	-	<b>136,102,600</b>	144,778,791	<b>8,676,191</b>	
Non - current portion of provisions	142,978,226	-	<b>142,978,226</b>	153,913,254	<b>10,935,028</b>	
Non - current portion of long service awards	20,025,901	-	<b>20,025,901</b>	59,955,061	<b>39,929,160</b>	
	<b>561,477,487</b>	-	<b>561,477,487</b>	<b>602,270,551</b>	<b>40,793,064</b>	
<b>Total Liabilities</b>	<b>1,087,125,251</b>	<b>115,698,949</b>	<b>1,202,824,200</b>	<b>2,329,622,595</b>	<b>1,126,798,395</b>	
<b>Net Assets</b>	<b>7,378,676,974</b>	<b>32,799,902</b>	<b>7,411,476,876</b>	<b>5,609,086,832</b>	<b>(1,802,390,044)</b>	
<b>Net Assets</b>						
<b>Reserves</b>						
Accumulated surplus	7,378,676,974	32,799,902	<b>7,411,476,876</b>	5,609,086,832	<b>(1,802,390,044)</b>	

# City of Mbombela

(Registration number MP326)

Annual Financial Statements for the year ended 30 June 2018

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

### Cash Flow Statement

#### Cash flows from operating activities

##### Receipts

Property rates	493,120,004	(5,136,667)	<b>487,983,337</b>	436,605,337	<b>(51,378,000)</b>	57.13
Sale of goods and services	1,160,747,790	(7,791,595)	<b>1,152,956,195</b>	921,449,074	<b>(231,507,121)</b>	57.13
Government grants and subsidies	1,292,970,000	(93,691,999)	<b>1,199,278,001</b>	1,203,220,739	<b>3,942,738</b>	57.13
Finance income	29,933,852	(21,988,320)	<b>7,945,532</b>	51,445,854	<b>43,500,322</b>	57.13
Other income	296,621,067	(43,207,733)	<b>253,413,334</b>	86,731,327	<b>(166,682,007)</b>	57.13
	<b>3,273,392,713</b>	<b>(171,816,314)</b>	<b>3,101,576,399</b>	<b>2,699,452,331</b>	<b>(402,124,068)</b>	

##### Payments

Employee related costs, remuneration of councillors and suppliers	(2,840,203,439)	553,384,720	<b>(2,286,818,719)</b>	(2,112,992,813)	<b>173,825,906</b>	57.13
Finance costs	(25,770,316)	5,969,779	<b>(19,800,537)</b>	(65,493,034)	<b>(45,692,497)</b>	57.13
Grants and subsidies paid	(37,196,340)	(4,862,051)	<b>(42,058,391)</b>	(40,549,789)	<b>1,508,602</b>	57.13
	<b>(2,903,170,095)</b>	<b>554,492,448</b>	<b>(2,348,677,647)</b>	<b>(2,219,035,636)</b>	<b>129,642,011</b>	

**Net cash flows from operating activities**      **370,222,618**      **382,676,134**      **752,898,752**      **480,416,695**      **(272,482,057)**

#### Cash flows from investing activities

Purchase of property, plant and equipment	(607,133,895)	55,453,164	<b>(551,680,731)</b>	(408,047,862)	<b>143,632,869</b>	57.14
Proceeds from sale of property, plant and equipment	-	-	-	(1,645,703)	<b>(1,645,703)</b>	
Proceeds from sale of investment property	-	-	-	2,604,000	<b>2,604,000</b>	
Purchase of other intangible assets	-	-	-	(1,245,462)	<b>(1,245,462)</b>	57.14
Increase in non - current receivables	220,632,209	(397,137,976)	<b>(176,505,767)</b>	(1,137,499)	<b>175,368,268</b>	57.14
Decrease other non - current receivables	119,260,125	-	<b>119,260,125</b>	(600,828)	<b>(119,860,953)</b>	57.14
<b>Net cash flows from investing activities</b>	<b>(267,241,561)</b>	<b>(341,684,812)</b>	<b>(608,926,373)</b>	<b>(410,073,354)</b>	<b>198,853,019</b>	

#### Cash flows from financing activities

Repayment of non-current portion of borrowings	(20,410,487)	-	<b>(20,410,487)</b>	(5,358,863)	<b>15,051,624</b>	57.15
Movement in other financial liability	-	-	-	7,167,789	<b>7,167,789</b>	57.15
Finance lease payments	-	-	-	(3,129,768)	<b>(3,129,768)</b>	
<b>Net cash flows from financing activities</b>	<b>(20,410,487)</b>	<b>-</b>	<b>(20,410,487)</b>	<b>(1,320,842)</b>	<b>19,089,645</b>	

## City of Mbombela

(Registration number MP326)

Annual Financial Statements for the year ended 30 June 2018

### Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
Net increase/(decrease) in cash and cash equivalents	82,570,570	40,991,322	<b>123,561,892</b>	69,022,499	<b>(54,539,393)</b>	
Cash and cash equivalents at the beginning of the year	127,296,471	(103,432,191)	<b>23,864,280</b>	23,864,280	-	
<b>Cash and cash equivalents at the end of the year</b>	<b>209,867,041</b>	<b>(62,440,869)</b>	<b>147,426,172</b>	<b>92,886,779</b>	<b>(54,539,393)</b>	



# City of Mbombela

(Registration number MP326)

Annual Financial Statements for the year ended 30 June 2018

## Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>2018</b>											
<b>Financial Performance</b>											
Property rates	513,666,671	-	513,666,671	-		513,666,671	466,134,060		(47,532,611)	91 %	91 %
Service charges	1,178,526,401	(1,000,000)	1,177,526,401	-		1,177,526,401	1,095,011,500		(82,514,901)	93 %	93 %
Finance income	8,945,532	(1,000,000)	7,945,532	-		7,945,532	51,490,854		43,545,322	648 %	576 %
Transfers recognised - operational	695,667,605	20,000,000	715,667,605	-		715,667,605	690,972,841		(24,694,764)	97 %	99 %
Other own revenue	337,270,912	(26,340,642)	310,930,270	-		310,930,270	317,279,548		6,349,278	102 %	94 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>2,734,077,121</b>	<b>(8,340,642)</b>	<b>2,725,736,479</b>	<b>-</b>		<b>2,725,736,479</b>	<b>2,620,888,803</b>		<b>(104,847,676)</b>	<b>96 %</b>	<b>96 %</b>
Employee costs	(731,750,478)	(26,453,471)	(758,203,949)	-	-	(758,203,949)	(792,797,261)	-	(34,593,312)	105 %	108 %
Remuneration of councillors	(39,597,755)	-	(39,597,755)	-	-	(39,597,755)	(38,421,823)	-	1,175,932	97 %	97 %
Bad debts written off	-	-	-			-	(378,672,889)	-	(378,672,889)	DIV/0 %	DIV/0 %
Depreciation and asset impairment	(260,361,138)	(254,454,955)	(514,816,093)			(514,816,093)	(501,138,401)	-	13,677,692	97 %	192 %
Finance charges	(25,770,315)	5,969,778	(19,800,537)	-	-	(19,800,537)	(65,472,844)	-	(45,672,307)	331 %	254 %
Materials and bulk purchases	(695,839,045)	(42,139,173)	(737,978,218)	-	-	(737,978,218)	(706,901,232)	-	31,076,986	96 %	102 %
Transfers and grants	(47,365,111)	5,154,720	(42,210,391)	-	-	(42,210,391)	(40,549,789)	-	1,660,602	96 %	86 %
Other expenditure	(882,174,450)	10,159,254	(872,015,196)	-	-	(872,015,196)	(808,344,166)	-	63,671,030	93 %	92 %
<b>Total expenditure</b>	<b>(2,682,858,292)</b>	<b>(301,763,847)</b>	<b>(2,984,622,139)</b>	<b>-</b>	<b>-</b>	<b>(2,984,622,139)</b>	<b>(3,332,298,405)</b>	<b>-</b>	<b>(347,676,266)</b>	<b>112 %</b>	<b>124 %</b>
<b>Surplus/(Deficit)</b>	<b>51,218,829</b>	<b>(310,104,489)</b>	<b>(258,885,660)</b>	<b>-</b>		<b>(258,885,660)</b>	<b>(711,409,602)</b>		<b>(452,523,942)</b>	<b>275 %</b>	<b>(1,389)%</b>

# City of Mbombela

(Registration number MP326)

Annual Financial Statements for the year ended 30 June 2018

## Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Transfers recognised - capital	597,302,395	(12,592,000)	584,710,395	-		584,710,395	528,560,428		(56,149,967)	90 %	88 %
<b>Surplus (Deficit) after capital transfers and contributions</b>	<b>648,521,224</b>	<b>(322,696,489)</b>	<b>325,824,735</b>	-		<b>325,824,735</b>	<b>(182,849,174)</b>		<b>(508,673,909)</b>	<b>(56)%</b>	<b>(28)%</b>
<b>Surplus/(Deficit) for the year</b>	<b>648,521,224</b>	<b>(322,696,489)</b>	<b>325,824,735</b>	-		<b>325,824,735</b>	<b>(182,849,174)</b>		<b>(508,673,909)</b>	<b>(56)%</b>	<b>(28)%</b>
<b>Capital expenditure and funds sources</b>											
Total capital expenditure	607,133,894	(14,155,303)	592,978,591	-		592,978,591	528,560,428		(64,418,163)	89 %	87 %
<b>Sources of capital funds</b>											
Transfers recognised - capital	389,410,073	(32,234,168)	357,175,905	-		357,175,905	443,917,589		86,741,684	124 %	114 %
Internally generated funds	217,723,821	18,078,865	235,802,686	-		235,802,686	84,642,839		(151,159,847)	36 %	39 %
<b>Total sources of capital funds</b>	<b>607,133,894</b>	<b>(14,155,303)</b>	<b>592,978,591</b>	-		<b>592,978,591</b>	<b>528,560,428</b>		<b>(64,418,163)</b>	<b>89 %</b>	<b>87 %</b>

# City of Mbombela

(Registration number MP326)

Annual Financial Statements for the year ended 30 June 2018

## Accounting Policies

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### 1. Presentation of Annual Financial Statements

#### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The annual financial statements have been prepared in accordance with the effective Standards of Generally Recognised Accounting Practice (GRAP), including any interpretations, guidelines and directives issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been applied in the preparation of these annual financial statements, are disclosed below. Details of any changes in accounting policies are explained in the relevant policy. Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

GRAP 1	Presentation of Financial Statements
GRAP 2	Cash Flow Statements
GRAP 3	Accounting Policies, Changes in Accounting Estimates and Errors
GRAP 5	Borrowing costs
GRAP 6	Consolidated and Separate Financial Statements
GRAP 7	Investments in Associates
GRAP 8	Investments in Joint Ventures
GRAP 9	Revenue from Exchange Transactions
GRAP 11	Construction contracts
GRAP 12	Inventories
GRAP 13	Leases
GRAP 14	Events after the Reporting Date
GRAP 16	Investment Property
GRAP 17	Property, Plant and Equipment
GRAP 19	Provisions, Contingent Liabilities and Contingent Assets
GRAP 21	Impairment of Non-cash generating Assets
GRAP 23	Revenue from Non-exchange Transactions (Taxes and Transfers)
GRAP 24	Presentation of Budget Information in Financial Statements
GRAP 25	Employee benefits
GRAP 26	Impairment of Cash- generating Assets
GRAP 27	Agriculture
GRAP 31	Intangible Assets
GRAP 100	Discontinued operations
GRAP 103	Heritage Assets
GRAP 104	Financial Instruments
GRAP 105	Transfers of Functions Between Entities Under Common Control
GRAP 106	Transfers of Functions Between Entities Not Under Common Control
GRAP 107	Merger

#### List of effective Interpretations of the Standards of GRAP

IGRAP 1	Applying the Probability Test on Initial Recognition of Revenue (as revised in 2012)
IGRAP 2	Changes in Existing Decommissioning, Restoration and Similar Liabilities
IGRAP 3	Determining whether an Arrangement Contains a Lease
IGRAP 4	Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
IGRAP 6	Loyalty Programmes
IGRAP 8	Agreements for the construction of assets from exchange transactions
IGRAP 13	Operating Leases - Incentives
IGRAP 14	Evaluating the substance of transactions involving the legal form of a lease
IGRAP 16	Intangible assets - Web site costs
IGRAP 18	Recognition and Derecognition of Land

# City of Mbombela

(Registration number MP326)

Annual Financial Statements for the year ended 30 June 2018

## Accounting Policies

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**The following approved guideline on the Standards of GRAP was applied in disclosing information**

Guide 1            Guideline on Accounting for Public Private Partnership.

**The following approved not yet Effective Standard of GRAP was used to disclose Information:**

GRAP 20            Related Party Disclosures

**New Standards, Amendments and Interpretations to GRAP Standards Approved But Not yet Effective:**

The following GRAP standards have been approved by the Accounting Standards Board and effective dates have been determined by the Minister as indicated below except where effective date has not been determined. The standards have not been early adopted nor an accounting policy developed by the Municipality. The impact on the application of the new Standards could not be reasonably estimable as at the reporting date and it is not anticipated that these Standards will have a significant impact on the Municipality.

IGRAP 17	Service Concession Arrangements Where a Grantor Controls a Significant Residual Interest in an Asset.
GRAP 109	Accounting by Principles and Agents 1 April 2019
GRAP 32	Service Concession Arrangement Grant 1 April 2019
GRAP 108	Statutory Receivables 1 April 2019
GRAP 18	Segment Reporting 1 April 2020

**Standards of GRAP used in developing an accounting policy**

GRAP 32	Service Concession Arrangement
GRAP 108	Statutory Receivables

### 1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality. The figures are rounded off to the nearest Rand.

### 1.2 Going concern assumption

These annual financial statements have been prepared based on the assumption that the municipality will continue to operate as a going concern and meet its statutory obligations for the foreseeable future.

### 1.3 Comparative information

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are restated. The nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. If a change in accounting policy results from initial application of a standard of GRAP that has specific transitional provisions, the municipality account for the change in accordance with the specific transitional provisions of that accounting standard.

Reclassifications of certain accounts were made in order to comply with the requirements of Municipal Standard Charts of Accounts (mSCOA). The reclassifications have no impact on the net assets value of the municipality.

# City of Mbombela

(Registration number MP326)

Annual Financial Statements for the year ended 30 June 2018

## Accounting Policies

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### 1.4 Property, plant and equipment

#### Initial recognition and measurement

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period. While there is no universally accepted definition of infrastructure assets, these assets usually display some or all of the following characteristics:

- (a) they are parts of a system or network;
- (b) they are specialised in nature and do not have alternative uses;
- (c) they are immovable; and
- (d) they may be subject to constraints on disposal.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

# City of Mbombela

(Registration number MP326)

Annual Financial Statements for the year ended 30 June 2018

## Accounting Policies

---

### 1.4 Property, plant and equipment (continued)

Items such as spare parts, standby equipment and servicing equipment are recognised as property, plant and equipment when they meet the definition of property, plant and equipment.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management. Costs incurred in using or redeploying an item are not included in the carrying amount of that item.

The cost of an item of property, plant and equipment is the cash price equivalent at the recognition date. If the payment is deferred beyond normal credit terms, the difference between the cash price equivalent and the total payment is recognised as interest over the period of credit unless such interest is recognised in the carrying amount of the item in accordance with the Standard of GRAP on Borrowing Costs.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the Municipality is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

#### Subsequent measurement

Subsequent to initial recognition, items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses in accordance with the cost model. Land is not depreciated as it is deemed to have an indefinite useful life.

Where an asset is acquired through a non-exchange transaction, its cost shall be measured at fair value as at the date of acquisition.

Where the Municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component. Subsequent expenditure incurred on an item of Property, Plant and Equipment is capitalised when it meets the definition and recognition criteria of an asset.

Where the Municipality has an obligation to dismantle, remove and restore items of property, plant and equipment and the initial estimate was initially included in the cost of an item of property, plant and equipment, any changes in the liability are added to or deducted from, the cost of the related asset in the current period. If there is a decrease in the liability and it exceeds the carrying amount of the asset, the excess is recognised immediately in the statement of financial performance.

If there is a change in a provision for which the asset relates, and the change results in addition to the cost of an asset, the Municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is an indication, the related asset is tested for impairment by estimating its recoverable amount or recoverable service amount and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets or non-cash generating assets. If the related asset has reached the end of its useful life, any subsequent changes in the liability will be recognised in the statement of financial performance.

#### Depreciation

Depreciation is calculated on the depreciable amount, using the straight-line method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciation charge for each period shall be recognised in the statement of financial performance unless it is included in the carrying amount of another asset. The annual depreciation rates are based on the following estimated useful lives:

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Item	Average useful life
Land and building	
• Land	Indefinite
• Buildings	30-40
• Landfill sites	10-85
Finance lease assets	
• Office equipment	3-15
• Other assets	3-10

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# City of Mbombela

(Registration number MP326)

Annual Financial Statements for the year ended 30 June 2018

## Accounting Policies

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### 1.4 Property, plant and equipment (continued)

#### Infrastructure

• Roads, pavement, bridges, and storm water	3-80
• Electrical	3-50
• Water	5-50
• Sanitation	5-50
• Information and communications	3-10
• Solid waste	10-50

#### Community

• Sport and Recreational facilities	25-40
• Parks	Indefinite
• Halls	25-40
• Libraries	25-40

#### Other property, plant and equipment

• Specialised vehicles	5-15
• Other vehicles	5-15
• Office equipment	3-15
• Furniture and fittings	5-15
• Bins and containers	5-10
• Specialised plant and equipment	5-20
• Other items of plant and equipment	5-10.
• Emergency equipment	5-10
• Computer equipment	3-10

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### 1.4 Property, plant and equipment (continued)

Further detail on the useful lives of the categories of assets is detailed on the assets management policy, available for inspection at our offices.

The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate in accordance with Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

The municipality assesses at each reporting date whether there is any indication that the municipality's expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revise the expected useful life and/or residual value accordingly.

The residual value of an intangible asset with a finite useful life is assumed to be zero unless:

- (a) there is a commitment by a third party to acquire the asset at the end of its useful life; or
- (b) there is an active market for the asset and:
- (c) residual value can be determined by reference to that market; and
- (d) it is probable that such a market will exist at the end of the asset's useful life

The change(s) are accounted for as a change in an accounting estimate in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

In assessing whether there is any indication that the expected useful life of an asset has changed, the municipality considers the following indications:

- (a) The composition of the asset changed during the reporting period, i.e. the significant components of the asset changed.
- (b) The use of the asset has changed, because of the following:
  - The municipality has changed the manner in which the asset is used.
  - The municipality has changed the utilisation rate of the asset.
  - The municipality has made a decision to dispose of the asset in a future reporting period(s) such that this decision changes the expected period over which the asset will be used.
  - Technological, environmental, commercial or other changes that occurred during the reporting period that have, or will, change the use of the asset.
  - Legal or similar limits placed on the use of the asset have changed.
  - The asset was idle or retired from use during the reporting period.
- (c) The asset is approaching the end of its previously expected useful life.
- (d) Planned repairs and maintenance on, or refurbishments of, the asset and/or its significant components either being undertaken or delayed.
- (e) Environmental factors, e.g. increased rainfall or humidity, adverse changes in temperatures or increased exposure to pollution.
- (f) There is evidence that the condition of the asset improved or declined based on assessments undertaken during the reporting period.
- (g) The asset is assessed as being impaired in accordance with the Standards of GRAP on Impairment of Cash-generating Assets and Impairment of Non-cash-generating Assets.

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

### Derecognition

Items of Property, Plant and Equipment are derecognised when the asset is disposed of or when there are no further economic benefit or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.



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### 1.5 Intangible assets

#### Initial recognition and measurement

An intangible asset is an identifiable non-monetary asset without physical substance.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Internally generated intangible assets are subject to strict recognition criteria before they are capitalised. Research expenditure is never capitalised, while development expenditure is only capitalised to the extent that:

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance is not recognised as intangible assets

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Intangible assets are initially recognised at cost. Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

#### Subsequent measurement

Intangible assets are subsequently carried at cost less accumulated amortisation and impairments. The cost of an intangible asset is amortised over the useful life where that useful life is finite. Where the useful life is indefinite, the asset is not amortised but is subject to an annual impairment test, and the useful life is reviewed at each reporting date, if the useful life has changed from indefinite and definite, it is treated as a change in accounting estimate in Statement of Financial Performance.

#### Amortisation

The municipality assesses whether the useful life of an intangible asset is finite or indefinite and, if finite, the length of, or number of production or similar units constituting, that useful life. An intangible asset shall be regarded as having an indefinite useful life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for, or provide service potential to the municipality.

The useful life of an intangible asset that arises from binding arrangements (including rights from contracts) shall not exceed the period of the binding arrangement, but may be shorter depending on the period over which the entity expects to use the asset. If the binding arrangements (including rights from contracts) are conveyed for a limited term that can be renewed, the useful life of the intangible asset shall include the renewal period(s) only if there is evidence to support renewal by the municipality without significant cost.

Amortisation is charged so as to write off the cost of intangible assets over their estimated useful lives using the straight line method. The amortisation rates are based on the following estimated average asset lives.

Item	Useful life
Servitudes	Not depreciated
Licenses and franchises	1 - 3 years
Computer software	5 - 20 years

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### 1.5 Intangible assets (continued)

Further detail on the useful lives of the categories of assets can be obtained from the assets management policy, available for inspection at our offices.

Each item of intangible asset is amortised separately. Rights consist mainly of servitude's. Rights are not amortised as they have an indefinite useful life. A servitude right is granted to the Municipality for an indefinite period. The life of the servitude will remain in force as the Municipality exercises its rights under such servitude's.

The depreciable amount of an intangible asset with a finite useful life is allocated on a systematic basis over its useful life. Amortisation begins when the asset is available for use, i.e. when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. Amortisation shall cease at the date that the asset is derecognised. The amortisation charge for each period shall be recognised in surplus or deficit unless this or another Standard permits or requires it to be included in the carrying amount of another asset.

The residual value of an intangible asset with a finite useful life is assumed to be zero unless:

(a) there is a commitment by a third party to acquire the asset at the end of its useful life; or

(b) there is an active market for the asset and:

- residual value can be determined by reference to that market; and
- it is probable that such a market will exist at the end of the asset's useful life

The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at each reporting date and any changes are recognised prospectively as a change in accounting estimate in the Statement of Financial Performance.

An intangible asset with an indefinite useful life shall not be amortised. The useful life of an intangible asset that is not being amortised shall be reviewed each reporting period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset. If they do not, the change in the useful life assessment from indefinite to finite shall be accounted for as a change in an accounting estimate in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

### Derecognition

Intangible assets are derecognised when the asset is disposed of or when there are no further economic benefit or service potential expected from the use of the asset. The gain or loss arising on the disposal or retirement of an intangible asset is determined as the difference between the sales proceeds and the carrying value and is recognised in the statement of financial position.

### 1.6 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

### Initial recognition and measurement

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

At initial recognition, the Municipality measures investment property at cost including transaction costs once it meets the definition of investment property. However, where an investment property was acquired through a non-exchange transaction (i.e. where it acquired the investment property for no or a nominal value), its cost is its fair value as at the date of acquisition. The cost of self-constructed investment property is the cost at date of completion.

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### 1.6 Investment property (continued)

#### Subsequent measurement

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

Investment property is subsequently measured using the cost model. Under the cost, Investment property is carried at cost less accumulated depreciation and any accumulated impairment losses.

Transfers to, or from, investment property is made when, and only when, there is a change in use, evidenced by:

- commencement of owner-occupation, for a transfer from investment property to owner-occupied property;
- commencement of development with a view to sale, for a transfer from investment property to inventories;
- end of owner-occupation, for a transfer from owner-occupied property to investment property; or
- commencement of an operating lease (on a commercial basis) to another party, for a transfer from inventories to investment property

#### Depreciation

Depreciation is calculated on the depreciable amount, using the straightline method over the estimated useful lives of the assets. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The annual depreciation rates are based on the following estimated average asset lives.

Item	Useful life
Property - land	indefinite
Property - buildings	15 - 30 years

Further detail on the useful lives of the categories of assets is detailed on the assets management policy, available for inspection at our offices.

#### Derecognition

An investment property is derecognised on disposal including disposal through non-exchange transactions or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

Compensation from third parties for investment property that was impaired, lost or given up is recognised in surplus or deficit when the compensation becomes receivable.

Gains or losses arising from the retirement or disposal of investment property is determined as the difference between the net disposal proceeds and the carrying amount of the asset and is recognised in the Statement of Financial Performance.

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### 1.7 Heritage assets

#### Initial recognition and measurement

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

The Municipality holds an asset that might be regarded as a heritage asset but on initial recognition, it does not meet the recognition criteria of a heritage asset because it cannot be reliably measured, relevant and useful information about the asset shall be disclosed in the notes to the financial statements.

The municipality uses judgment to assess the degree of certainty attached to the flow of future economic benefits or service potential that are attributable to the heritage asset on the basis of the evidence available at the time of initial recognition.

An asset that has met the recognition requirement criteria for heritage assets shall be measured at its cost if such an asset has been acquired through an exchange transaction.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

The cost of the heritage asset is the cash price equivalent at the recognition date. If the payment is deferred beyond normal credit terms, the difference between the cash price equivalent and the total payment is recognised as interest over the period of credit, unless such interest is recognised in the carrying amount of the heritage asset in accordance with the standard of GRAP on borrowing costs.

Costs incurred to enhance or restore the heritage asset to preserve its indefinite useful life is capitalised as part of its cost. Such costs is recognised in the carrying amount of the heritage asset as incurred, when the recognition criteria is met.

An asset that has met the recognition requirement criteria for heritage assets shall be measured at its cost if such an asset has been acquired through an exchange transaction.

#### Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses. Heritage assets are not depreciated due to its nature however the municipality assess at each reporting date whether there are indications of impairment and, if any, impairment exists, the municipality estimates the recoverable amount or recoverable service amount of the heritage asset.

#### Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

#### Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset. Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

#### Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

Compensation from third parties for heritage assets that have been impaired, lost or given up, shall be included in surplus or deficit when the compensation becomes receivable.

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### 1.8 Discontinued Operations

Discontinued operation is a component of an municipality that has been disposed of and:

- represents a distinguishable activity, group of activities or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a distinguishable activity, group of activities or geographical area of operations; or
- is a controlled municipality acquired exclusively with a view to resale.

A component of an municipality is the operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the municipality.

In disposing a component, the municipality may dispose of the assets and liabilities (if any) either individually or in small groups. The effect is that the settlement of the liabilities may occur over a period of time. The disposal must occur within a single co-ordinate plan in order to qualify as a discontinued operations.

The municipality may dispose of a component without being sold or transferred to another municipality. Components disposed off in this way are disposed of through abandonment. An abandoned component would be a discontinued operation if it otherwise satisfies the criteria in the definition of a discontinued operation.

An abandoned component would be a discontinued operation if it otherwise satisfies the criteria in the definition of a discontinued operation.

### 1.9 Inventories

Inventories are assets:

- (a) in the form of materials or supplies to be consumed in the production process.
- (b) in the form of materials or supplies to be consumed or distributed in the rendering of services.
- (c) held for sale or distribution in the ordinary course of operations.
- (d) in the process of production for sale or distribution

#### Initial recognition and measurement

Inventories are recognised as an asset if it is probable that future economic benefits or service potential associated with the item will flow to the Municipality and the cost of the inventories can be measured reliably.

Inventories that qualify for recognition as assets are initially recognised at cost. The cost of inventories comprises of all costs purchase cost of conversion and other costs incurred in bringing the inventories to its present location and condition. Where inventory is manufactured, constructed or produced, the cost includes the cost of labour, materials and overheads used during the manufacturing process.

When inventories are acquired through a non-exchange transaction, its cost shall be measured at its fair value as at the date of acquisition.

#### Subsequent measurement

Inventories, consisting of consumable stores, raw materials, work-in-progress and finished goods, are measured at the lower of cost and net realisable value unless they are to be distributed at no or nominal charge or to be consumed in the production process of goods to be distributed at no charge or for a nominal charge, in which case they are measured at the lower of cost and current replacement cost.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Redundant and slow-moving inventories are identified and written down in this way. Differences arising on the valuation of inventory are recognised in the Statement of Financial Performance in the year in which they arose. The amount of any reversal of any write-down of inventories arising from an increase in net realisable value or current replacement cost is recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

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### 1.9 Inventories (continued)

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

In general, the basis of allocating cost to inventory items is the first-in, first-out method or the weighted average method.

### 1.10 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one municipality and a financial liability or a residual interest of another municipality.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an municipality on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an municipality shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the municipality shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another municipality; or
- a contractual right to:
  - receive cash or another financial asset from another municipality; or
  - exchange financial assets or financial liabilities with another municipality under conditions that are potentially favourable to the municipality.

A financial liability is any liability that is a contractual obligation to:

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### 1.10 Financial instruments (continued)

- deliver cash or another financial asset to another municipality; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the municipality.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an municipality in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an municipality after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unitised capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an municipality's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an municipality.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the municipality had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the municipality designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

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### 1.10 Financial instruments (continued)

#### Initial recognition

The municipality recognises a financial asset or a financial liability in its statement of financial position when the municipality becomes a party to the contractual provisions of the instrument. Financial assets are recognised through the application of trade date accounting.

Upon initial recognition the Municipality classifies financial instruments or their component parts as financial liabilities, financial assets or residual interests in conformity with the substance of the contractual arrangement and to the extent that the instrument satisfies the definitions of a financial liability, a financial asset or a residual interest.

The Municipality measures financial instruments that are designated at fair value on recognition at its fair value at the date of recognition. Financial Instruments designated at amortised cost and those designated at cost are initially measured, at the date of recognition, at its fair value plus transaction costs directly attributable to the acquisition or issue of the instrument.

The classification of financial assets depends on their nature and purpose, and is determined at the date of initial recognition.

#### Initial measurement of financial assets and financial liabilities

The municipality measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The municipality measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The municipality first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the municipality analyses a concessionary loan into its component parts and accounts for each component separately. The municipality accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.



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### 1.10 Financial instruments (continued)

#### Subsequent measurement of financial assets and financial liabilities

The municipality measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

#### Fair value measurement considerations

The best evidence of fair value is quoted prices in an active market. If the market for a financial instrument is not active, the municipality establishes fair value by using a valuation technique. The objective of using a valuation technique is to establish what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal operating considerations. Valuation techniques include using recent arm's length market transactions between knowledgeable, willing parties, if available, reference to the current fair value of another instrument that is substantially the same, discounted cash flow analysis and option pricing models. If there is a valuation technique commonly used by market participants to price the instrument and that technique has been demonstrated to provide reliable estimates of prices obtained in actual market transactions, the entity uses that technique.

The chosen valuation technique makes maximum use of market inputs and relies as little as possible on entity-specific inputs. It incorporates all factors that market participants would consider in setting a price and is consistent with accepted economic methodologies for pricing financial instruments. Periodically, an municipality calibrates the valuation technique and tests it for validity using prices from any observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on any available observable market data.

The fair value of a financial liability with a demand feature (e.g. a demand deposit) is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid.

#### Financial assets

##### Financial assets at fair value

These comprise of non-derivative financial assets with fixed or determinable payments. Subsequent to initial recognition such assets are measured at amortised cost using the effective interest method less any impairment and/or plus reversal of impairment.

##### Financial assets at amortised cost

These comprise of financial assets held for trading, derivative financial assets, non-derivative financial assets designated at fair value and investments in residual interest for which fair value can be measured reliably. Subsequent to initial recognition all changes to fair value are recognised through the statement of financial performance.

##### Financial assets at cost

These comprise of investments in residual interest that does not have a quoted market price in an active market and the fair value cannot be measured reliably. Subsequent to initial recognition such investments are measured at its carrying amount less any impairment.

#### Impairment of financial assets

Financial assets other than those held at fair value are assessed for impairment at the end of each reporting period. Impairment is considered when there is objective evidence that, as a result of events occurred after initial recognition of the asset, the expected value to be derived from the asset have been materially reduced. The Municipality recognise impairment losses or impairment reversals in the statement of financial performance during the financial year in which the loss or reversal occurred.

Financial assets are derecognised when rights to receive cash flows from an asset have expired or have been transferred to another party or the Municipality loses control of contractual rights such that the Municipality no longer retain significant risks and rewards associated with ownership.

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### 1.10 Financial instruments (continued)

#### Accounts receivables

Receivables are initially recognised at its fair value. Bad debts are written off in the year in which they are identified as irrecoverable, subject to approval by appropriate delegated authority. Amounts receivable within 12 months from the date of reporting are classified as current. A provision for impairment of receivables is established when there is objective evidence that the Municipality will not be able to collect all amounts due according to the initial terms receivables. The amount of the provision is that difference between the asset's carrying amount and its present value of estimated future cash flows, discounted at the initial effective interest rate. An estimate of doubtful debts is made at the end of each reporting period taking in to consideration past default experiences. Interest is charged on overdue amounts.

#### Cash and cash equivalents

Cash and cash equivalents are measured at amortised cost. Cash includes cash on hand and cash with banks. Cash equivalents are short-term highly liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand and deposits held on call with banks.

#### Financial liabilities

##### Trade and other payables

After initial recognition, the Municipality measures all financial liabilities, including payables at amortised cost using the effective interest rate method. Financial liabilities include borrowings, other non-current liabilities and payables and exclude provisions. Finance charges, including premiums payable, are accounted for on an accrual basis.

#### Gains and losses

The municipality recognise gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit. For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

#### Derecognition

##### Financial assets

Financial assets are derecognised when rights to receive cash flows from an asset have expired or have been transferred to another party or the Municipality loses control of contractual rights such that the Municipality no longer retain significant risks and rewards associated with ownership.

##### Financial liabilities

Financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled or when it expires.

### 1.11 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date. Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation. The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

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### 1.11 Provisions and contingencies (continued)

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Future events that may affect the amount required to settle an obligation are reflected in the amount of a provision where there is sufficient objective evidence that they will occur. Gains from the expected disposal of assets are not taken into account in measuring a provision. Provisions are not recognised for future operating losses. The present obligation under an onerous contract is recognised and measured as a provision.

Subsequent changes in the measurement of provisions relating to rehabilitation of landfill sites as a result of change in estimated cash flows required to settle the obligation will result in increased carrying amounts of the landfill sites to which the provision relates. The adjusted depreciable amount of the landfill sites will be depreciated over the remaining useful life of the landfill site. Once the landfill site has reached the end of its useful life, all subsequent changes in the value of the liability will be recognised in the statement of financial performance.

#### Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.22 and 1.23.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

The Municipality does not recognise a contingent liability or contingent asset. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

A contingent liability is a possible obligation whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Municipality

### 1.12 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

Lease classification is made at the inception of the lease.

#### Finance leases - lessor

The municipality recognises finance lease receivables as assets on the statement of financial position. Such assets are presented as a receivable at an amount equal to the net investment in the lease.

Finance revenue is recognised based on a pattern reflecting a constant periodic rate of return on the municipality's net investment in the finance lease.

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### 1.12 Leases (continued)

#### Finance leases - lessee

The Municipality recognise assets acquired under finance leases as assets and the associated lease obligations as liabilities in the statement of financial position. The assets and liabilities are recognised at amounts equal to the fair value of the leased property or if lower the present value of the minimum lease payments as determined at inception of the lease. The discount rate to be used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if it is practicable to determine however if not, the incremental borrowing rate shall be used. Any initial direct costs of the Municipality are added to the amount recognised as an asset.

Subsequent to initial recognition, the leased assets are accounted for in accordance with the stated accounting policies applicable to property, plant, equipment or intangibles. The lease liability is reduced by the lease payments, which are allocated between the lease finance expenses and the capital repayment using the effective interest rate method. Lease finance expenses are expensed when incurred. The accounting policies relating to derecognition of financial instruments are applied to lease payables. The lease asset is depreciated over the shorter of the asset's useful life or the lease term.

#### Operating leases - lessor

Assets subject to operating leases are presented in the statement of financial position according to the nature of the asset.

Lease revenue from operating leases is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred by the Municipality in negotiating and arranging an operating lease is added to the carrying amount of the leased asset and recognised as expenses over the lease term on the same basis as the lease revenue.

#### Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

### 1.13 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Revenue from exchange transactions refers to revenue that accrued to the Municipality directly in return for services rendered / goods sold, the value of which approximates the consideration received or receivable.

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

#### Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

#### Sale of goods

Revenue from the sale of goods shall be recognised when all the following conditions have been satisfied:

- the entity has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the entity retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably

Revenue from the sale of goods is recognised when all conditions associated with the deed of sale have been met.

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### 1.13 Revenue from exchange transactions (continued)

#### Service charges

Service charges relating to electricity and water which are based on consumption are metered and an estimate of consumption between the latest meter reading and the reporting date shall be recognised when:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality.

Meters are read on a monthly basis and the revenue is recognised when invoiced. Provisional estimates of consumptions are made monthly when meter readings have not been performed and are recognised as revenue when invoiced. Adjustments to provisional estimates of consumption are made then recognised in the statement of financial performance in the invoicing period in which meters have been read. In respect of estimates of consumption between the last reading date and the reporting date, an accrual is made based on the average monthly consumption of consumers.

Revenue from the sale of electricity prepaid meter credit is recognised at the point of sale. An adjustment for an unutilised portion is made at year-end, based on average consumption history.

Service charges relating to refuse removal are recognised on a monthly basis by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage and are levied monthly based on the number of refuse containers on each property, regardless of whether or not containers are emptied during the month.

Service charges from sewerage and sanitation are based on the size of the property, number of dwellings on each property and connection, using the tariffs approved by Council and are levied monthly.

Revenue from rental of facilities and equipment is recognised on a straight-line basis over the term of the lease agreement.

#### Interest

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised in the statement of financial performance using the effective interest rate method.

#### Agency services

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The revenue recognised by the Municipality is in terms of the agency agreement and is limited to the amount of any fee or commission payable to the Municipality as compensation for executing the agreed services.

Collection charges are recognised when such amounts are incurred.

### 1.14 Revenue from non-exchange transactions

Revenue from non-exchange transactions refers to transactions between one or more parties where the Municipality received revenue from another Municipality without directly giving approximately equal value in exchange. Revenue from non-exchange transaction is generally recognised to the extent that the related receipt or receivable qualifies for recognition as an asset and satisfy the recognition criteria.

An inflow of resources from non-exchange transaction that meets the definition of an asset is recognised as an asset when it is probable that future economic benefits or service potential associated with the asset will flow to the Municipality and the fair value of the asset can be measured reliably.

Revenue from non-exchange transactions is measured at the amount of the increase in net assets recognised.

An asset acquired through a non-exchange transaction is initially measured at fair value as at the date of acquisition.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

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### 1.14 Revenue from non-exchange transactions (continued)

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

#### Taxes

Taxes are economic benefits or service potential compulsory paid or payable to the Municipality, in accordance with the laws and or regulations, established to provide revenue to the Municipality. Taxes do not include fines or other penalties imposed for breaches of the law.

The Municipality recognises an asset in respect of taxes when the taxable event occurs and the asset recognition criteria are met.

#### Property rates

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Rebates are respectively granted, to owners of land on which not more than two dwelling units are erected provided that such dwelling units are solely used for residential purposes. Additional relief is granted to needy, aged and/or disabled owners, based on income. The rebates granted are deducted from revenue.

Property rates revenue is recognised once a rates account has been issued to ratepayers. Adjustments or interim rates are recognised once the municipal valuer has valued the change to properties.

#### Transfers

Transfers are inflows of future economic benefits or service potential from non-exchange transactions other than taxes.

The Municipality recognises an asset in respect of transfers when the transferred resources meet the definition of an asset and satisfy the criteria for recognition as an asset.

#### Fines

Fines are economic benefits or service potential received or receivable to the Municipality from an individual or another Municipality, as determined by a court or other law enforcement body, as a consequence of the individual or another Municipality breaching the requirements of laws and regulations. Control of the traffic fine is demonstrated through the existence of an enforceable claim.

Fines constitute notices of intended prosecution- section 341 spot fines and written notices (summonses- section 56 of the Criminal Procedures Act, 51 of 1977 ).

#### Initial recognition and measurement

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition of an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the Municipality.

#### Subsequent measurement

Subsequently assets arising from the receivables from traffic fines are impaired based on the collection trends of the previous financial years.

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### 1.14 Revenue from non-exchange transactions (continued)

#### Government grants and donations

Government Grants can be in the form of grants to acquire or construct fixed assets (capital grants), grants for the furtherance of national and provincial government policy objectives and general grants to subsidise the cost incurred by municipalities rendering services.

Capital grants and general grants for the furtherance of government policy objectives are usually restricted revenue in that stipulations are imposed in their use.

Conditional grants, donations and funding were recognised as revenue in the Statement of Financial Performance to the extent that the Municipality has complied with any criteria, conditions or obligations embodied in the agreement/arrangement. To the extent that the criteria, conditions and obligations have not been met a liability is raised in the Statement of Financial Position. Unconditional grants, donations and funding are recognised as revenue in the Statement of Financial Position at the earlier of the date of receipt or when the amount is receivable.

Contributed assets are recognised at fair value when the risks and rewards associated with such asset transfer to the Municipality.

#### Services in-kind

Except for financial guarantee contracts, the municipality recognise services in-kind that are significant to its operations and/or service delivery objectives as assets and recognise the related revenue when it is probable that the future economic benefits or service potential will flow to the municipality and the fair value of the assets can be measured reliably.

Where services in-kind are not significant to the municipality's operations and/or service delivery objectives and/or do not satisfy the criteria for recognition, the municipality disclose the nature and type of services in-kind received during the reporting period.

#### Concessionary loans

Concessionary loans are loans received by entities at below market terms. The portion of the loan that is repayable, along with any interest payments, is an exchange transaction and is accounted for in accordance with the Standard of GRAP on Financial Instruments. The off-market portion of the loan is a non-exchange transaction and is accounted for in accordance with this Standard.

The off-market portion of the loan that is recognised as non-exchange revenue is calculated as the difference between the proceeds received from the loan, and the present value of the contractual cash flows of the loan, discounted using a market related rate of interest. The recognition of revenue is determined by the nature of any conditions that exist in the loan agreement that may give rise to a liability. Where a liability exists the municipality recognises revenue as and when it satisfies the conditions of the loan agreement.

### 1.15 Borrowing costs

Borrowing costs are interest and other expenses incurred by the municipality in connection with the borrowing of funds.

The municipality recognise all borrowing costs as an expense in the period in which they are incurred.

### 1.16 Employee benefits

Employee benefits are all forms of consideration given by a Municipality in exchange for service rendered by employees.

Termination benefits are employee benefits payable as a result of either:

- an Municipality's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

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### 1.16 Employee benefits (continued)

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an Municipality's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the Municipality has indicated to other parties that it will accept certain responsibilities and as a result, the Municipality has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

#### Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the Municipality recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The Municipality measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The Municipality recognise the expected cost of bonus, incentive and performance related payments when the Municipality has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

The cost of short-term employee benefits, which include salaries and wages, short-term compensated absences, non-monetary benefits such as medical aid and performance plans, are expensed in the Statement of Financial Performance in the financial year during which the payment is made.

Liabilities for short-term employee benefits that are unpaid at year-end are measured at the undiscounted amount that the Municipality is expected to pay in exchange for that service that had accumulated at the reporting date.

#### Post-employment benefits

The Municipality provides post employment benefits for its employees and councillors. These benefits are provided as either defined contribution plans or defined benefit plans.

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which a Municipality provides post-employment benefits for one or more employees.



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### 1.16 Employee benefits (continued)

#### Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

The Municipality provide post employment medical care benefits to retired employees and their legitimate spouses. The entitlement to post employment medical benefits is based on employees remaining in service up to retirement age and the completion of a minimum service period. The expected cost, of these benefits is accrued over the period of employment.

Pursuant to the Municipality's obligation to fund the post-employment benefits provided through a defined benefit plan, the Municipality recognises a defined benefit obligation or asset with reference to the fund's financial position. To the extent that the future benefits payable under the fund exceeds the value assets held to finance those benefits, the Municipality recognises as defined benefit obligation. To the extent that the value of plan assets exceeds the future benefits payable by the fund the Municipality recognises as defined benefit asset.

The defined benefit asset or obligation recognised is recognised as the net difference between the value of the plan assets and plan liabilities and also taking past service cost into consideration.

Actuarial valuations are conducted on an annual basis by independent actuaries for each plan.

Actuarial gains and losses comprise experience adjustments (the effect of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in the actuarial assumptions. Actuarial gains and losses are recognised in full in the Statement of Financial Performance in the year that they occur.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the Municipality recognise past service cost as an expense in the reporting period in which the plan is amended.

Where the Municipality reduces benefits payable under an existing defined benefit plan, the resulting reduction in the defined benefit liability is recognised as (negative) past service cost in the reporting period in which the plan is amended.

Where the Municipality reduces certain benefits payable under an existing defined benefit plan and, at the same time, increases other benefits payable under the plan for the same employees, the Municipality treats the change as a single net change.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The Municipality recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The Municipality uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost.

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### 1.16 Employee benefits (continued)

#### Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

#### Termination benefits

Termination benefits are recognised when actions have been taken to indicate that the Municipality is demonstrably committed to either terminate the employment of an employee or group of employees before the normal retirement date; or provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

### 1.17 Unauthorised expenditure

Unauthorised expenditure means overspending of a vote, expenditure that has not been budgeted for and expenditure not in terms of the conditions of an allocation received from another sphere of government, Municipality or organ of state. Unauthorised expenditure is accounted for as an expense in the Statement of Financial Performance and when recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.18 Irregular expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Irregular expenditure has been incurred for the 2016 / 2017 financial year

### 1.19 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and when recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

Fruitless and wasteful expenditure has been incurred for the 2016 / 2017 financial year

### 1.20 Value Added Tax (VAT)

The municipality accounts for value added tax on the payment basis.

### 1.21 Budget information

The approved budget is prepared on an accrual basis and presented by economic classification linked to performance outcome objectives.

The annual budget figures have been presented in accordance with the GRAP reporting framework. A separate statement of comparison of budget and actual amounts, which forms part of the annual financial statements has been prepared. The comparison of budget and actual amount will be presented on the same accounting basis, same classification basis and for the same Municipality and period as for the approved budget. The budget is prepared on the accrual basis. The budget of the Municipality is taken for a stakeholder consultative process and upon approval, the approved budget is made publicly available.

Material differences in terms of the basis, timing or entity have been disclosed in the notes to the annual financial statements.

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### 1.21 Budget information (continued)

The most recent approved budget by Council is the final budget for the purpose of comparison with the actual amounts.

The approved budget relates to the fiscal period of 01 July 2017 to 30 June 2018.

### 1.22 Impairment of cash-generating assets

Cash-generating assets are those assets held by the municipality with the primary objective of generating a commercial return. When an asset is deployed in a manner consistent with that adopted by a profit-orientated entity, it generates a commercial return.

Impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount.

The Municipality assesses at each reporting date whether there is any indication that cash generating assets may be impaired. If any such indication exists, the recoverable amount of the asset is determined in order to establish the extent of impairment loss (if any).

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

The discount rate used is a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows has not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in surplus or deficit to the Statement of Financial Performance.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, such that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss is recognised immediately in surplus or deficit to the Statement of Financial Performance.

When the amount estimated for an impairment loss is greater than the carrying amount of the cash-generating asset to which it relates, the Municipality recognises a liability only to the extent that is a requirement in the Standard of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

### Reversal of impairment loss

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

### 1.23 Impairment of non-cash-generating assets

Non-cash-generating assets are assets other than cash-generating assets.

When the carrying amount of a non-cash-generating asset exceeds its recoverable service amount, it is impaired.

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#### 1.23 Impairment of non-cash-generating assets (continued)

The Municipality assesses at each reporting date whether there is any indication that a non-cash-generating asset may be impaired. If any such indication exists, the Municipality estimates the recoverable service amount of the asset.

Irrespective of whether there is any indication of impairment, the Municipality also test a non-cash-generating intangible asset with an indefinite useful life or a non-cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable service amount.

This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

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### 1.23 Impairment of non-cash-generating assets (continued)

#### Value in use

Value in use of non-cash-generating assets is the present value of the non-cash-generating assets remaining service potential.

The present value of the remaining service potential of a non-cash-generating assets is determined using the following approach:

#### Depreciated replacement cost approach

The present value of the remaining service potential of a non-cash-generating asset is determined as the depreciated replacement cost of the asset. The replacement cost of an asset is the cost to replace the asset's gross service potential. This cost is depreciated to reflect the asset in its used condition. An asset may be replaced either through reproduction (replication) of the existing asset or through replacement of its gross service potential. The depreciated replacement cost is measured as the reproduction or replacement cost of the asset, whichever is lower, less accumulated depreciation calculated on the basis of such cost, to reflect the already consumed or expired service potential of the asset.

The replacement cost and reproduction cost of an asset is determined on an "optimised" basis. The rationale is that the municipality would not replace or reproduce the asset with a like asset if the asset to be replaced or reproduced is an overdesigned or overcapacity asset. Overdesigned assets contain features which are unnecessary for the goods or services the asset provides. Overcapacity assets are assets that have a greater capacity than is necessary to meet the demand for goods or services the asset provides. The determination of the replacement cost or reproduction cost of an asset on an optimised basis thus reflects the service potential required of the asset.

#### Restoration cost approach

Restoration cost is the cost of restoring the service potential of an asset to its pre-impaired level. The present value of the remaining service potential of the asset is determined by subtracting the estimated restoration cost of the asset from the current cost of replacing the remaining service potential of the asset before impairment. The latter cost is determined as the depreciated reproduction or replacement cost of the asset, whichever is lower.

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### 1.23 Impairment of non-cash-generating assets (continued)

#### Service units approach

The present value of the remaining service potential of the asset is determined by reducing the current cost of the remaining service potential of the asset before impairment, to conform to the reduced number of service units expected from the asset in its impaired state. The current cost of replacing the remaining service potential of the asset before impairment is determined as the depreciated reproduction or replacement cost of the asset before impairment, whichever is lower.

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit to the statement of financial performance.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the Municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

The Municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the Municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

#### Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

### 1.24 Related parties

The Municipality has processes and controls in place to aid in the identification of related parties. Parties are considered to be related if one party directly or indirectly has the ability to control or jointly control the other party or exercise significant influence over the other party or vice versa.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Management is regarded as a related party and comprises councillors, Executive Mayor, Mayoral Committee members, Municipal Manager, Deputy Municipal Manager and General Managers.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality. As a minimum, a person is considered to be a close member of the family of another person if they:

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## Accounting Policies

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### 1.24 Related parties (continued)

- Are married or live together in a relationship similar to a marriage
- separated by no more than two degrees of natural or legal consanguinity or affinity.

Related party transactions are disclosed in the notes to the annual financial statements. Related party transactions where control exists shall be disclosed irrespective of whether there have been transactions between the related parties.

### 1.25 Grant in aid

The Municipality transfers funds to individuals, organisations, societies and other sectors of government from time to time in accordance with the local government prescripts.

When the transfers are made, the Municipality does not:

- receive any goods or services directly in return, as would be expected in an acquisition or sale transaction;
- expect to be repaid in future; or
- expect a financial return, as would be expected from an investment.

The transfers are recognised in the Statement of Financial Performance as expenses in the period that the event giving rise to the transfer occurred.

### 1.26 Changes in accounting policy, accounting estimates and correction of error

Changes in accounting policies are applied retrospectively in accordance with the requirements of Generally Recognised Accounting Practice (GRAP) 3, except to the extent that it is impractical to determine the period specific effects or the cumulative effect of the change in accounting policy. In such instances the Municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which the retrospective restatement is practical.

Changes in accounting estimates are applied prospectively in accordance with the requirements of Generally Recognised Accounting Practice (GRAP) 3. The detailed information of the change in accounting estimates is disclosed in the notes to the annual financial statements

Correction of errors is applied retrospectively in the period to which the error has occurred in accordance with the requirements of Generally Recognised Accounting Practice (GRAP) 3, except to the extent that it is impractical to determine the period specific effects or the cumulative effect of the error. In such instances the Municipality shall restate the opening balances of assets, liabilities and net assets for the earliest period for which the retrospective restatement is practical.

### 1.27 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date.

The Municipality does not adjust the amounts recognised in the annual financial statements to reflect non-adjusting events after the reporting date. If the Municipality receives information after the reporting date but before the financial statements are authorised for issue, about conditions that existed at the reporting date, the disclosure that relate to those conditions shall be updated in light of the new information.

### 1.28 Capital commitments

Capital commitments disclosed in the notes to the annual financial statements represents the balance committed to capital projects as at the reporting date which will be incurred in the period subsequent to the reporting period.

The municipality discloses commitments inclusive of VAT per the commitments register.

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### 1.29 Key sources of estimation uncertainty and judgements

The following areas involve a significant degree of estimation uncertainty:

- Useful lives and residual values of property, plant, and equipment
- Recoverable amounts and/ recoverable service amounts of property, plant and equipment
- Provision for rehabilitation of landfill sites (discount rate used)
- Present value of defined benefit obligation
- Impairment allowance/ Debt impairment
- Impairment of cash-generating and non cash-generating assets
- Provision for long service awards

The following areas involved judgements, apart from those involving estimations disclosed above, that management has made in the process of applying the Municipality's accounting policies and that have the most significant effect on the amounts recognised in the financial statements:

- Impairment of cash-generating and non cash-generating assets
- Provisions

### 1.30 Mergers

#### Identifying the combined Municipality and combining entities

For each merger a combined municipality and combining entities is identified. All relevant facts and circumstances are considered in identifying the combined municipality and combining municipality.

The binding arrangement usually sets out which entities are to be combined as a result of the merger, and identifies the new reporting municipality after the merger.

#### Determining the merger date

The combined municipality and the combining entities identify the merger date, which is the date on which the new reporting municipality obtains control of the assets and liabilities and the combining entities loses control of their assets and liabilities.

All relevant facts and circumstances are considered in identifying the merger date.

#### Assets acquired [transferred] and liabilities assumed [derecognised]

The recognition of assets and liabilities by the entity as combined entity are subject to the following conditions:

The assets and liabilities that qualify for recognition in a merger are part of what had been agreed in terms of the binding arrangement, rather than the result of separate transactions.

#### Other criteria for the Municipality (as the combined Municipality)

The assets and liabilities that qualify for recognition as set out in the binding arrangement meets the definitions of assets and liabilities in the Framework for the Preparation and Presentation of Financial Statements and the recognition criteria in the applicable Standards of GRAP at the merger date.

Costs that the entity expects but which the municipality is not obliged to incur in the future to effect its plan to exit an activity of the combining entities or to terminate the employment of, or relocate the combining entities' employees, is not be accounted for as part of the liabilities at the merger date. The entity does not recognise those costs as part of a merger. Instead, the municipality recognises these costs in its annual financial statements after the merger has occurred, in accordance with the applicable Standards of GRAP.



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## Accounting Policies

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### 1.30 Mergers (continued)

#### Accounting by the Municipality as the combined Municipality

##### Initial recognition and measurement

As of the merger date, the municipality recognises all the assets acquired and liabilities assumed. The assets acquired and liabilities assumed are measured at their carrying amounts.

If, prior to the merger, a combining municipality was not applying the accrual basis of accounting, that combining municipality changes its basis of accounting to the accrual basis of accounting prior to the merger.

The difference between the carrying amounts of the assets acquired and the liabilities assumed is recognised in accumulated surplus or deficit.

##### Measurement period

If the initial accounting for a merger is incomplete by the end of the reporting period in which the merger occurs, the municipality reports in its annual financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the municipality retrospectively adjust the provisional amounts recognised at the merger date to reflect new information obtained about facts and circumstances that existed as of the merger date and, if known, would have affected the measurement of the amounts recognised as of that date. The measurement period ends as soon as the municipality receives the information it was seeking about facts and circumstances that existed as of the merger date or learns that more information is not obtainable. However, the measurement period does not exceed two years from the merger date.

The municipality considers all relevant factors in determining whether information obtained after the merger date should result in an adjustment to the provisional amounts recognised or whether that information results from events that occurred after the merger date. Relevant factors include the date when additional information is obtained and whether the municipality can identify a reason for a change to provisional amounts.

The municipality recognises an increase (decrease) in the provisional amount recognised for an asset (liability) by means of decreasing (increasing) the excess of the purchase consideration paid over the carrying amount of the assets acquired and liabilities assumed previously recognised in accumulated surplus or deficit.

During the measurement period, the municipality recognises adjustments to the provisional amounts as if the accounting for the merger had been completed at the merger date. Thus, the municipality revises comparative information for prior periods presented in annual financial statements as needed, including making any change in depreciation, amortisation or other income effects recognised in completing the initial accounting.

After the measurement period ends, the municipality revises the accounting for a merger only to correct an error in accordance with the Standard of GRAP on Accounting Policies, Changes in Accounting Estimates and Errors.

##### Expenditure incurred in relation to the merger

Expenditures incurred in relation to the merger are costs that the entity incurs to effect the merger. These costs include advisory, legal, accounting and other professional or consulting fees, general administrative costs, costs to furnish information to owners of the combining entities, and salaries and other expenses related to services of employees involved in achieving the merger. It also includes costs or losses incurred in combining the assets and liabilities of the combining entities. The municipality accounts for such expenditure as expenses in the period in which the costs are incurred.

##### Subsequent measurement

The municipality subsequently measures any assets acquired and any liabilities assumed in a merger in accordance with the applicable Standards of GRAP.

At the merger date, the municipality classifies or designates the assets acquired and liabilities assumed as necessary to apply other Standards of GRAP subsequently. The municipality makes those classifications or designations on the basis of the terms of the binding arrangement, economic conditions, the operating or accounting policies and other relevant conditions as these exist at the merger date. An exception is that the municipality classifies the following contracts on the basis of the contractual terms and other factors at the inception of the contract (or, if the terms of the contract have been modified in a manner that would change its classification, at the date of that modification, which might be the merger date):

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## Accounting Policies

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### 1.30 Mergers (continued)

- classification of a lease contract as either an operating lease or a finance lease in accordance with the Standard of GRAP on Leases; and
- classification of a contract as an insurance contract in accordance with the International Financial Reporting Standard on Insurance Contracts.

The annual financial statements of the municipality are prepared using uniform accounting policies for similar transactions and other events or similar circumstances.

### 1.31 Transfer of functions between entities not under common control

#### Identifying the acquirer and acquiree

For each transfer of functions between entities not under common control one of the combining entities is identified as the acquirer. Determining the acquirer include a consideration of, amongst other things, which of the combining entities initiated the transaction or event, the relative size of the combining entities, as well as whether the assets or revenue of one of the entities involved in the transactions or event significantly exceed those of other entities. The terms and conditions of a transfer of functions undertaken between entities not under common control are set out in a binding arrangement. The binding arrangement governing the terms and conditions of a transfer of functions may identify which Municipality to the transaction or event is the combining Municipality and which Municipality is the acquirer. Determining the acquirer includes a consideration of, amongst other things, which of the combining entities involved initiated the transaction or event, the relative size of the entities, as well as whether the assets or revenue of one of the entities involved in the transaction or event significantly exceed those of the other entities. If no acquirer can be identified, the transaction or event is accounted for in terms of the Standard of GRAP on Mergers.

#### Determining the transfer date

The acquirer identifies the acquisition date which is the date on which it obtains control of the acquiree. The date on which the acquirer obtains control of the functions is the date on which the acquirer transfers the consideration, acquires the assets and assumes the liabilities of the acquiree as identified to in the binding arrangement.

#### Recognising and measuring the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree

As of the acquisition date, the acquirer recognise, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree. Recognition of identifiable assets acquired and liabilities assumed is subject to the following conditions:

The identifiable assets acquired and liabilities assumed must meet the definitions of assets and liabilities in the Framework for the Preparation and Presentation of Financial Statements and the recognition criteria in the applicable Standards of GRAP at the acquisition date.

The identifiable assets acquired and liabilities assumed must be part of what the acquirer and the acquiree (or its former owners) agreed in the binding arrangement rather than the result of separate transactions.

The acquirer's application of the recognition principle and conditions may result in recognising some assets and liabilities that the acquiree had not previously recognised as assets and liabilities in its financial statements.

#### Operating leases

The acquirer shall recognise no assets or liabilities related to an operating lease in which the acquiree is the lessee

The acquirer shall determine whether the terms of each operating lease in which the acquiree is the lessee are favourable or unfavourable. The acquirer shall recognise an intangible asset if the terms of an operating lease are favourable relative to market terms and a liability if the terms are unfavourable relative to market terms.

An identifiable intangible asset may be associated with an operating lease, which may be evidenced by market participants' willingness to pay a price for the lease even if it is at market terms.

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### 1.31 Transfer of functions between entities not under common control (continued)

#### Intangible assets

The acquirer shall separately recognise the identifiable intangible assets acquired in a transfer of functions. An intangible asset is identifiable if it meets either the separability criterion or the contractual-legal right criterion .

An intangible asset that meets the contractual-legal right criterion is identifiable even if the asset is not transferable or separable from the acquiree or from other rights and obligations.

An intangible asset that is not individually separable from the acquiree meets the separability criterion if it is separable in the transfer of functions with a related contract, identifiable asset or liability.

At the acquisition date, the acquirer shall classify or designate the identifiable assets acquired and liabilities assumed as necessary to apply other Standards of GRAP subsequent to the acquisition date. The acquirer shall make those classifications or designations on the basis of the terms of the binding arrangement, economic conditions, its operating or accounting policies and other relevant conditions as they exist at the acquisition date.

The acquirer shall measure the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values.

#### Exceptions to the recognition or measurement principles

##### Contingent liabilities - Exception to recognition principles

The acquirer shall recognise as of the acquisition date a contingent liability assumed in a transfer of functions if it is a present obligation that arises from past events and its fair value can be measured reliably.

The acquirer recognises a contingent liability assumed in a transfer of functions at the acquisition date even if it is not probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation. Paragraph .86 provides guidance on the subsequent accounting for contingent liabilities.

##### Employee benefits - Exception to recognition and measurement principles

The acquirer shall recognise and measure a liability (or asset, if any) related to the acquiree's employee benefit arrangements in accordance with the Standard of GRAP on Employee Benefits.

#### Recognising and measuring the difference between the assets acquired and liabilities assumed and the consideration transferred (if any)

The acquirer shall recognise the difference between the assets acquired and liabilities assumed and the consideration transferred (if any) as of the acquisition date in surplus or deficit.

#### Consideration transferred

The consideration transferred in a transfer of functions shall be measured at fair value, which shall be calculated as the sum of the acquisition-date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquiree and the residual interests issued by the acquirer.

#### Measurement period

If the initial accounting for a transfer of functions is incomplete by the end of the reporting period in which the transfer occurs, the acquirer shall report in its financial statements provisional amounts for the items for which the accounting is incomplete. During the measurement period, the acquirer shall retrospectively adjust the provisional amounts recognised at the acquisition date to reflect new information obtained about facts and circumstances that existed as of the acquisition date and, if known, would have affected the measurement of the amounts recognised as of that date. During the measurement period, the acquirer shall also recognise additional assets or liabilities if new information is obtained about facts and circumstances that existed as of the acquisition date and, if known, would have resulted in the recognition of those assets and liabilities as of that date. The measurement period ends as soon as the acquirer receives the information it was seeking about facts and circumstances that existed as of the acquisition date or learns that more information is not obtainable. However, the measurement period shall not exceed two years from the acquisition date.

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## Accounting Policies

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### 1.31 Transfer of functions between entities not under common control (continued)

#### Contingent liabilities

After initial recognition and until the liability is settled, cancelled or expires, the acquirer shall measure a contingent liability recognised in a transfer of functions at the higher of:

- (a) the amount that would be recognised in accordance with the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- (b) the amount initially recognised less, if appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.

#### Indemnification assets

At the end of each subsequent reporting period, the acquirer shall measure an indemnification asset that was recognised at the acquisition date on the same basis as the indemnified liability or asset, subject to any limitations as set in the binding arrangement on its amount and, for an indemnification asset that is not subsequently measured at its fair value, management's assessment of the collectability of the indemnification asset. The acquirer shall derecognise the indemnification asset only when it collects the asset, sells it or otherwise loses the right to it.

#### Reacquired rights

A reacquired right recognised as an intangible asset shall be amortised over the remaining contractual period of the contract in which the right was granted.

#### Subsequent measurement

The acquirer subsequently measure and account for assets acquired, liabilities assumed or incurred and the residual interest issued in a transfer of functions in accordance with other applicable Standards of GRAP for those items, depending on their nature.

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Annual Financial Statements for the year ended 30 June 2018

## Accounting Policies

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### 1.32 Statutory receivables

Statutory receivables are receivables that:

- arise from legislation, supporting regulations, or similar means; and
- require settlement by another entity in cash or another financial asset.

Statutory receivables constitute revenue receivable from property rates, fines, penalties, grants and fees charged in terms of legislation.

The municipality recognises statutory receivables as follows:

- if the transaction is an exchange transaction, using GRAP 9;
- if the transaction is a non-exchange transaction, using GRAP 23;
- if the transaction is not within the scope of either GRAP 9 or GRAP 23, the receivable is recognised when:
- the definition of an asset is met; and
- it is probable that future economic benefits or service potential associated with the asset will flow to the municipality and the transaction amount can be measured reliably.

The municipality measures a statutory receivable initially at its transaction amount.

The municipality measures all statutory receivables after initial recognition using the cost method.

Under the cost method the amount recognised initially is only changed subsequently to reflect any:

- interest or other charges that may have accrued on the receivable;
- impairment loss; and
- amounts derecognised.

The municipality assesses at the end of each reporting period whether there is objective evidence that a statutory receivable or group of statutory receivables is impaired.

For amounts due to the municipality, significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy and default payments are all considered indicators of impairment.

If there is objective evidence that an impairment loss on statutory receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the estimated future cash flows - discounted if the effect of discounting is material - using a rate that reflects the current risk free rate and, if applicable, any risks specific to the statutory receivable, or group of statutory receivables, for which the future cash flow estimates have not been adjusted.

The carrying amount of the asset is reduced through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed by adjusting the allowance account. The reversal does not result in a carrying amount of the statutory receivable that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Where statutory receivables are impaired through the use of an allowance account, the amount of the loss is recognised in surplus or deficit within operating expenses. When such receivables are written off, the write off is made against the relevant allowance account. Subsequent recoveries of amounts previously written off are credited against operating expenses.

The municipality derecognises a statutory receivable when:

- the rights to the cash flows from the statutory receivable are settled, expire or are waived;
- the municipality transfers to another party substantially all of the risks and rewards of ownership of the receivable
- the municipality, despite having retained some significant risks and rewards of ownership of the receivable, has transferred control of the receivable in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the municipality:
- derecognises the receivable;
- recognises separately any rights and obligations created or retained in the transfer.

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### 1.32 Statutory receivables (continued)

The carrying amount of the transferred asset is allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are considered for inclusion within the scope of GRAP 104 or another standard of GRAP. Any difference between the consideration received and amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

### 1.33 Service concession arrangements: Grantor

A service concession arrangement is a contractual arrangement between a grantor (the municipality) and an operator in which:

- the operator uses the service concession asset to provide a mandated function on behalf of the municipality for a specified period of time; and
- the operator is compensated for its services over the period of the service concession arrangement.

A service concession asset is an asset used to provide a mandated function in a service concession arrangement that:

- is provided by the operator which:
- the operator constructs, develops, or acquires from a third party; or
- is an existing asset of the operator.
- is provided by the grantor (municipality) which:
- is an existing asset of the municipality; or
- is an upgrade to an existing asset of the municipality.

An asset is provided by the operator, or an upgrade to an existing asset of the municipality is recognised as a service concession asset if:

- the municipality controls or regulates what services the operator must provide with the asset, to whom it must provide them, and at what price;
- the municipality controls, through ownership, beneficial entitlement or otherwise, any significant residual interest in the asset at the end of the arrangement.

The municipality measures initially a service concession asset at its fair value.

The municipality recognises a liability where a service concession asset is recognised.

The liability is initially recognised at the same amount as the service concession asset, adjusted by the amount for any consideration from the municipality to the operator, or from the operator to the municipality.

Where the municipality has an unconditional obligation to pay cash or another financial asset to the operator for the construction, development, acquisition or upgrade of a service concession asset, the liability is accounted for as a financial liability in accordance with GRAP 104.

The payments made to the operator are accounted for according to their substance as:

- a reduction in the liability recognised;
- a finance charge; and
- charges for services provided by the operator.

Where the asset and service components of a service concession arrangement are separately identifiable, the service components of payments are allocated by reference to the relative fair values of the service concession asset and the services. If not, the service component of payments is determined using valuation techniques.

Where the municipality does not have an unconditional obligation to pay cash or another financial asset to the operator, and grants the operator the right to earn revenue from third-party users or another revenue-generating asset, the liability is accounted for as the unearned portion of revenue arising from the exchange of assets between the municipality and the grantor.

The liability is reduced and revenue recognised according to the substance of the service concession arrangement.

# City of Mbombela

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## Accounting Policies

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### 1.34 Investments in controlled entities

Controlled entity is an entity, including an unincorporated entity such as a partnership that is controlled by another entity (known as the controlling entity). Controlling entity is an entity that has one or more controlled entities.

In the municipality's separate financial statements, investments in investments in controlled entities are carried at cost less any accumulated impairment. The municipality applies the same accounting for each category of investment.

The cost of an investment in controlled entity is the aggregate of the fair value at the date of exchange of assets given, liabilities incurred or assumed and equity instruments issued by the municipality plus any costs directly attributable to the purchase price of the controlled entity

### 1.35 Accumulated surplus

The municipality's surplus or deficit for the year is accounted in the accumulated surplus in the statement of changes in net assets.

### 1.36 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

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## Notes to the Annual Financial Statements

Figures in Rand	2018	2017
<b>2. Inventories</b>		
Consumable stores	15,591,154	17,665,128
Water in the reservoirs and reticulation system	224,321	218,346
Land held for sale	3,285,410	575
	<b>19,100,885</b>	<b>17,884,049</b>
Inventory	19,100,885	18,563,467
Inventories (write-downs)	-	(679,418)
<b>Closing balance of inventories</b>	<b>19,100,885</b>	<b>17,884,049</b>
<b>Inventory pledged as security</b>		
There were no inventories pledged as security during the reporting period.		
<b>3. Other receivables from exchange transactions</b>		
Conditional grants	6,697,008	-
Other receivables	9,867,925	3,608,936
Consumer debtors - Electricity	51,685,460	48,415,388
Consumer debtors - Water	3,395,489	4,033,148
Merchandising, jobbing and contracts	27,152,992	25,716,907
	<b>98,798,874</b>	<b>81,774,379</b>
<b>4. Trade receivables from non-exchange transactions</b>		
Traffic fines	3,966,581	8,810,462
Property rates	83,061,763	53,533,040
	<b>87,028,344</b>	<b>62,343,502</b>
<b>Gross balances</b>		
Property rates	121,611,699	179,000,173
Traffic fines	121,236,962	96,934,344
	<b>242,848,661</b>	<b>275,934,517</b>
<b>Less: Allowance for impairment</b>		
Property rates	(38,549,936)	(125,467,133)
Traffic fines	(117,270,381)	(88,123,882)
	<b>(155,820,317)</b>	<b>(213,591,015)</b>
<b>Net balance</b>		
Property rates	83,061,763	53,533,040
Traffic fines	3,966,581	8,810,462
	<b>87,028,344</b>	<b>62,343,502</b>



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## Notes to the Annual Financial Statements

Figures in Rand	2018	2017
<b>Rates</b>		
Current (0 -30 days)	39,070,848	25,006,979
31 - 60 days	10,423,265	10,350,197
61 - 90 days	10,685,350	8,493,436
91 - 120 days	3,494,109	7,827,256
121 - 365 days	20,851,280	46,933,409
> 365 days	45,457,179	80,388,896
	<b>129,982,031</b>	<b>179,000,173</b>
<b>Traffic fines</b>		
Balance at beginning of the year	96,934,344	110,495,963
Fines issued	28,575,250	15,891,932
Less: Received	(4,272,632)	(3,068,154)
Reversal of allowance	(73,890,510)	(26,385,397)
	<b>47,346,452</b>	<b>96,934,344</b>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	213,591,014	195,263,707
Contributions to allowance	29,146,499	50,749,131
Reversal of allowance	(73,890,510)	(32,421,824)
	<b>168,847,003</b>	<b>213,591,014</b>
<b>5. Value Added Tax (VAT) receivable</b>		
Value Added Tax (VAT)	50,830,617	86,156,226
VAT is receivable on the cash basis.		
The Value Added Tax percentage changed from 14% to 15% with effect from 1 April 2018 as proclaimed by the Minister of Finance.		
<b>6. Cash and cash equivalents</b>		
Cash and cash equivalents consist of:		
Cash on hand	78,085	75,085
Bank balances	83,592,502	15,184,969
Short-term deposits	9,216,192	8,604,226
<b>Total cash</b>	<b>92,886,779</b>	<b>23,864,280</b>

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## Notes to the Annual Financial Statements

Figures in Rand	2018	2017
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### The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	30 June 2018	30 June 2017	30 June 2016	30 June 2018	30 June 2017	30 June 2016
Primary Bank Acc - ABSA Mbombela: Account Number: 40-90003-9447	2,000,000	22,296,646	-	7,407,252	30,649,230	-
Spiral Plan - Bank: ABSA Mbombela: Account Number: 90- 6703-3766	4,490	4,486	-	4,490	-	-
Saving Account - Bank: ABSA Mbombela: Account Number: 90- 6916-6741	968	1,006	-	968	-	-
Call Account (Water Deposits) - Bank: ABSA Mbombela: Account Number: 90-6983-8617	4,612	4,580	-	4,612	4,580	-
Call Account (Grant Funding) - Bank: ABSA Mbombela: Account Number: 90-6983-9003	92,721	91,573	-	92,721	91,569	-
Call Account (Service Contribution) - Bank: ABSA Mbombela: Account Number: 90- 7568-1173	292,346	283,485	-	621,715	335,836	-
Call Account (Taxi Disaster) - Bank: ABSA Mbombela: Account Number: 91-2727-3547	28,949	28,503	-	28,949	28,466	-
Call Account (Grants) - Bank: ABSA Mbombela - Account Number: 40-8341-7222	9,117	46,731	-	9,117	46,477	-
Primary Bank Acc - ABSA Mbombela: Account Number: 40- 5321-5785	200,000	2,844,410	-	675,522	(6,318,730)	-
Mbombela Mayoral Fund - Bank: ABSA Mbombela: Account Number: 40-788-9377	10,530	10,423	-	10,530	10,410	-
Call Account (Mbombela 2010 Host City) - Bank: ABSA Mbombela: Account Number: 40- 7502-7970	6,297	6,041	-	6,297	6,017	-
Call Account (Mbombela 2010 Fan Park Operator) -Bank: ABSA Mbombela: Account Number: 40-7611-2661	1,363	1,308	-	1,363	1,302	-
Cheque Account (White River Disaster Fund) - 40-5141-9472	31,899	30,291	-	31,899	30,285	-
Cheque Account (Mbombela Conditional Grants) - 40-7804-8048	10,055	9,532	-	10,055	9,496	-
Call Account (Lottery Distribution Trust Fund Mbombela) - 40-6856-1426	9,779	9,548	-	9,779	9,524	-
Cheque Account - Bank: ABSA, Prime Link Account: Account Number: 40-6653-7243	48,905,734	22,648	-	68,905,735	22,645	-
Bank: ABSA Mbombela - Account Number: 20-7400-3363	30,232,205	8,604,226	-	9,210,630	8,604,226	-
Petty cash	-	-	-	78,085	75,085	-
First National Bank - Barberton - Account number: 5160026441	149,237	(47,800)	-	5,796,071	(9,748,958)	-

## City of Mbombela

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Annual Financial Statements for the year ended 30 June 2018

### Notes to the Annual Financial Statements

Figures in Rand					2018	2017
ABSA Bank - Mbombela Traffic Account - 10-7000-0209	-	-	-	(29,011)	(4,400)	-
First National Bank - Barberton - Account number: 62305845995	41	41	-	41	41	-
First National Bank - Barberton - Account number: 62305846612	114	114	-	114	113	-
First National Bank - Barberton - Account number: 62305846935	728	728	-	728	728	-
First National Bank - Barberton - Account number: 62305847222	24	24	-	24	24	-
First National Bank - Barberton - Account number: 62000772229	255	44	-	44	21	-
First National Bank - Barberton - Account number: 62000774704	111	447	-	(1,407)	(107)	-
ABSA Bank - Barbeton - 40-7085-2360	9,632	-	-	10,400	10,400	-
First National Bank - Barberton - Account Number: 6227140826	56	-	-	56	-	-
<b>Total</b>	<b>82,001,263</b>	<b>34,249,035</b>	<b>-</b>	<b>92,886,779</b>	<b>23,864,280</b>	<b>-</b>

The City of Mbombela was established from 11 August 2016 as determined by the Demarcation Board and in terms of the Mpumalanga Provincial notice 70 of 2016, Gazette no: 2721 hence there are no cash and cash equivalent balances prior to 11 August 2016.

#### 7. Trade and other receivables from exchange transactions

##### Gross balances

Electricity	80,230,809	84,298,808
Water	22,521,784	74,657,464
Waste water	7,719,667	26,167,099
Refuse	22,810,045	75,155,481
Service charges	9,452,765	51,318,456
	<b>142,735,070</b>	<b>311,597,308</b>

##### Less: Allowance for impairment

Electricity	(19,812,787)	(20,254,507)
Water	(8,701,709)	(56,269,722)
Waste water	(3,651,420)	(19,708,193)
Refuse	(9,476,316)	(56,927,840)
Service charges	(3,813,464)	(16,352,491)
	<b>(45,455,696)</b>	<b>(169,512,753)</b>

##### Net balance

Electricity	60,418,022	64,044,301
Water	13,820,075	18,387,742
Waste water	4,068,247	6,458,906
Refuse	13,333,729	18,227,641
Service charges	5,639,301	34,965,965
	<b>97,279,374</b>	<b>142,084,555</b>

# City of Mbombela

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## Notes to the Annual Financial Statements

Figures in Rand	2018	2017
<b>Electricity</b>		
Current (0 -30 days)	57,186,845	46,880,007
31 - 60 days	7,868,394	8,324,681
61 - 90 days	8,035,575	4,383,822
91 - 120 days	699,225	3,199,634
121 - 365 days	3,491,350	10,357,844
> 365 days	2,949,420	11,152,820
	<b>80,230,809</b>	<b>84,298,808</b>
<b>Water</b>		
Current (0 -30 days)	12,094,731	6,918,026
31 - 60 days	3,320,402	5,585,263
61 - 90 days	3,366,826	5,151,145
91 - 120 days	365,356	3,136,042
121 - 365 days	1,302,339	17,501,717
> 365 days	2,072,130	36,365,271
	<b>22,521,784</b>	<b>74,657,464</b>
<b>Waste water</b>		
Current (0 -30 days)	3,721,308	2,018,334
31 - 60 days	1,369,168	1,489,361
61 - 90 days	1,370,859	1,273,058
91 - 120 days	89,332	1,165,239
121 - 365 days	422,772	7,066,049
> 365 days	746,228	13,155,058
	<b>7,719,667</b>	<b>26,167,099</b>
<b>Refuse</b>		
Current (0 -30 days)	11,623,990	6,940,978
31 - 60 days	3,630,682	3,641,289
61 - 90 days	3,458,226	3,179,025
91 - 120 days	316,107	2,929,192
121 - 365 days	1,392,084	19,397,915
> 365 days	2,388,956	39,067,082
	<b>22,810,045</b>	<b>75,155,481</b>
<b>Other (specify)</b>		
Current (0 -30 days)	4,089,137	2,180,442
31 - 60 days	1,654,213	1,820,821
61 - 90 days	1,695,238	1,675,179
91 - 120 days	64,309	2,351,941
121 - 365 days	472,373	14,455,216
> 365 days	1,477,495	28,834,857
	<b>9,452,765</b>	<b>51,318,456</b>

# City of Mbombela

(Registration number MP326)

Annual Financial Statements for the year ended 30 June 2018

## Notes to the Annual Financial Statements

Figures in Rand	2018	2017
<b>Summary of debtors by customer classification</b>		
<b>Consumers</b>		
Current (0 -30 days)	62,574,724	43,890,210
31 - 60 days	10,956,461	13,607,458
61 - 90 days	11,023,820	9,982,129
91 - 120 days	229,662	8,952,763
121 - 365 days	2,595,345	55,163,490
> 365 days	4,119,070	90,384,932
	<b>91,499,082</b>	<b>221,980,982</b>
<b>Industrial/ commercial</b>		
Current (0 -30 days)	43,584,583	36,978,572
31 - 60 days	10,422,201	13,095,506
61 - 90 days	9,847,687	9,602,649
91 - 120 days	242,734	7,669,722
121 - 365 days	1,911,937	44,251,198
> 365 days	7,188,328	92,678,519
	<b>73,197,470</b>	<b>204,276,166</b>
<b>National and provincial government</b>		
Current (0 -30 days)	21,627,552	9,075,984
31 - 60 days	6,887,462	4,508,647
61 - 90 days	7,740,567	4,570,888
91 - 120 days	4,556,042	3,986,819
121 - 365 days	23,424,916	16,297,463
> 365 days	35,413,676	25,900,533
	<b>99,650,215</b>	<b>64,340,334</b>
<b>Total</b>		
Current (0 -30 days)	127,786,859	89,944,766
31 - 60 days	28,266,125	31,211,611
61 - 90 days	28,612,074	24,155,665
91 - 120 days	5,028,438	20,609,304
121 - 365 days	27,932,198	115,712,151
> 365 days	46,721,075	208,963,985
	<b>264,346,769</b>	<b>490,597,482</b>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	169,512,752	122,365,105
Contributions to allowance	(124,057,055)	47,147,647
	<b>45,455,697</b>	<b>169,512,752</b>
<b>8. Deposits</b>		
Other deposits	582,477	537,477
Deposits - Eskom	4,173,342	4,173,342
	<b>4,755,819</b>	<b>4,710,819</b>

## City of Mbombela

(Registration number MP326)

Annual Financial Statements for the year ended 30 June 2018

### Notes to the Annual Financial Statements

Figures in Rand	2018	2017
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#### 9. Investment property

	2018			2017		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	355,087,733	(22,656,853)	332,430,880	357,261,422	(20,544,847)	336,716,575

#### Reconciliation of investment property - 2018

	Opening balance	Disposals	Transfers	Depreciation	Total
Investment property	336,716,575	(2,604,000)	430,311	(2,112,006)	332,430,880

#### Reconciliation of investment property - 2017

	Opening balance	Depreciation	Total
Investment property	338,911,687	(2,195,112)	336,716,575

A register containing the information required by section 63 of the MFMA is available for inspection at the registered office of the municipality. No Investment properties were pledged as security for liabilities.

#### Amounts recognised in surplus or deficit

Rental revenue from Investment property	2,609,249	3,124,570
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# City of Mbombela

(Registration number MP326)

Annual Financial Statements for the year ended 30 June 2018

## Notes to the Annual Financial Statements

Figures in Rand

### 10. Property, plant and equipment

	2018			2017		
	Cost	Accumulated depreciation and accumulated impairment	Carrying value	Cost	Accumulated depreciation and accumulated impairment	Carrying value
Land	637,667,026	-	637,667,026	641,382,747	-	641,382,747
Buildings	1,496,733,025	(609,673,493)	887,059,532	1,496,733,025	(547,900,231)	948,832,794
Equipment and machinery	45,377,727	(18,293,141)	27,084,586	43,773,602	(13,992,627)	29,780,975
Furniture and equipment	71,074,052	(37,431,590)	33,642,462	71,514,677	(33,290,627)	38,224,050
Transport assets	187,957,516	(147,312,684)	40,644,832	189,901,580	(134,340,632)	55,560,948
Computer equipment	41,383,337	(21,257,838)	20,125,499	46,906,203	(22,284,920)	24,621,283
Roads, pavements and stormwater	2,960,531,401	(1,482,908,251)	1,477,623,150	2,924,371,078	(1,262,352,626)	1,662,018,452
Construction Work-in-progress	1,348,982,010	-	1,348,982,010	959,816,678	-	959,816,678
Waste management	54,654,198	(10,435,061)	44,219,137	51,270,023	(9,425,061)	41,844,962
Electricity	1,234,275,120	(662,847,087)	571,428,033	1,225,567,895	(598,175,760)	627,392,135
Leased assets	8,796,237	(3,966,451)	4,829,786	6,764,920	(1,210,022)	5,554,898
Waste water	1,056,743,382	(421,311,050)	635,432,332	1,056,743,382	(378,099,174)	678,644,208
Water	2,275,184,238	(823,621,659)	1,451,562,579	2,238,138,017	(753,838,556)	1,484,299,461
Library	21,777,245	(4,310,648)	17,466,597	21,777,245	(3,644,070)	18,133,175
<b>Total</b>	<b>11,441,136,514</b>	<b>(4,243,368,953)</b>	<b>7,197,767,561</b>	<b>10,974,661,072</b>	<b>(3,758,554,306)</b>	<b>7,216,106,766</b>

## City of Mbombela

(Registration number MP326)

Annual Financial Statements for the year ended 30 June 2018

### Notes to the Annual Financial Statements

Figures in Rand

#### Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Transfers received	Transfers out	Change in accounting estimates	Depreciation	Total
Land	641,382,747	-	-	-	(3,715,721)	-	-	637,667,026
Buildings	948,832,794	-	-	-	-	-	(61,773,262)	887,059,532
Plant and machinery	29,780,975	1,820,119	(43,720)	-	-	-	(4,472,788)	27,084,586
Furniture and equipment	38,224,050	377,584	(192,387)	-	-	-	(4,766,785)	33,642,462
Transport assets	55,560,948	5,297,013	(1,516,740)	-	-	-	(18,696,389)	40,644,832
Computer equipment	24,621,283	311,762	(122,942)	-	-	-	(4,684,604)	20,125,499
Roads, pavements and stormwater	1,662,018,452	10,337,013	(25,989)	26,647,439	-	-	(221,353,765)	1,477,623,150
Construction Work-in-progress	959,816,678	389,165,332	-	-	-	-	-	1,348,982,010
Waste management	41,844,962	-	-	-	-	3,384,175	(1,010,000)	44,219,137
Electricity	627,392,135	422,639	(22)	8,296,643	-	-	(64,683,362)	571,428,033
Leased assets	5,554,898	2,031,317	-	-	-	-	(2,756,429)	4,829,786
Waste water	678,644,208	-	-	-	-	-	(43,211,876)	635,432,332
Water	1,484,299,461	316,400	-	36,729,821	-	-	(69,783,103)	1,451,562,579
Library	18,133,175	-	-	-	-	-	(666,578)	17,466,597
	<b>7,216,106,766</b>	<b>410,079,179</b>	<b>(1,901,800)</b>	<b>71,673,903</b>	<b>(3,715,721)</b>	<b>3,384,175</b>	<b>(497,858,941)</b>	<b>7,197,767,561</b>



## City of Mbombela

(Registration number MP326)

Annual Financial Statements for the year ended 30 June 2018

### Notes to the Annual Financial Statements

Figures in Rand

#### Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Transfers	Change in accounting estimates	Depreciation	Total
Land	643,051,697	-	(1,668,950)	-	-	-	641,382,747
Buildings	955,586,012	13,217,774	-	36,186,517	-	(56,157,509)	948,832,794
Equipment and machinery	38,134,864	2,799,692	-	-	-	(11,153,581)	29,780,975
Furniture and equipment	42,034,559	2,256,521	-	-	-	(6,067,030)	38,224,050
Transport assets	74,676,812	1,642,288	-	-	-	(20,758,152)	55,560,948
Computer equipment	17,085,469	11,032,372	-	-	-	(3,496,558)	24,621,283
Roads, pavements and stormwater	1,560,962,053	40,133,423	-	254,730,584	-	(193,807,608)	1,662,018,452
Construction Work-in-progress	919,608,884	518,987,190	-	(478,779,396)	-	-	959,816,678
Waste management	45,479,851	350,000	-	(750,285)	(2,259,401)	(975,203)	41,844,962
Electricity	639,187,228	12,273,869	-	32,717,373	-	(56,786,335)	627,392,135
Leased Assets	-	6,764,920	-	-	-	(1,210,022)	5,554,898
Waste water	704,885,541	-	(74,426)	12,065,746	-	(38,232,653)	678,644,208
Water	1,404,798,540	311,694	(2,304)	143,829,461	-	(64,637,930)	1,484,299,461
Library	18,799,753	-	-	-	-	(666,578)	18,133,175
	<b>7,064,291,263</b>	<b>609,769,743</b>	<b>(1,745,680)</b>	<b>-</b>	<b>(2,259,401)</b>	<b>(453,949,159)</b>	<b>7,216,106,766</b>

#### Compensation received for losses on property, plant and equipment – included in operating profit.

Plant and machinery	4,599	-
Office equipment	94,747	287,480
Infrastructure	260,907	-
Transport	1,400,501	-
	<b>1,760,754</b>	<b>287,480</b>

# City of Mbombela

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## Notes to the Annual Financial Statements

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### Property, plant and equipment in the process of being constructed or developed

#### Cumulative expenditure recognised in the carrying value of property, plant and equipment

Roads, Pavements, Bridges and Stormwater Infrastructure	369,764,427	474,319,622
Water Reservoirs and Reticulation Infrastructure	454,821,447	542,768,911
Electricity Infrastructure	86,481,942	66,322,167
Buildings	75,248,379	75,248,379
Waste Water Infrastructure	47,673,410	97,797,403
	<b>1,033,989,605</b>	<b>1,256,456,482</b>

#### Carrying value of property, plant and equipment that is taking a significantly longer period of time to complete than expected

<b>Roads , Pavements, Bridges and Stormwater Infrastructure</b>	57,734,285	68,974,074
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These projects were delayed due to the internal or institutional inefficiencies which has caused a gap between the appointment of consultants and contractors, inadequate community buy in on projects that does not create local employment opportunities and local empowerment in terms of subcontracting and reduction of grant funding those respective projects.

#### Water Reservoirs and Reticulation Infrastructure

59,370,513	64,745,276
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The projects were mainly delayed due to various factors including but not limited to commissioning of projects due to water rights application challenges, land disputes where the project must be implemented, delay on the electricity (power) connection, community unrests, environmental compliance assessments and the internal inefficiencies which has caused a gap between appointment of consultants and contractors.

#### Electricity Infrastructure

9,563,283	27,154,152
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The projects were mainly delayed due to inability to secure funding on time, internal deficiencies which has caused a gap between appointment of consultants and contractors.

#### Waste Water Infrastructure

11,792,527	15,715,226
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The projects were mainly delayed due to various factors including but not limited to one appointment made by the Department of Co-Operative Governance and Traditional Affairs which was declared as irregular expenditure and the City has communicated with the Department requesting withdrawal of the project in order to follow the normal Supply Chain Management processes internally, community unrests, environmental compliance assessments and the internal inefficiencies which has caused a gap between appointment of consultants and contractors.

<b>138,460,608</b>	<b>176,588,728</b>
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#### Carrying value of property, plant and equipment where construction or development has been halted either during the current or previous reporting period(s)

Water Project	1,010,743	1,010,743
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The project was halted due to lack of water rights.

<b>1,010,743</b>	<b>1,010,743</b>
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### Reconciliation of Work-in-Progress 2018

	Included within Infrastructure	Included within Other PPE	Total
Opening balance	958,741,227	75,248,379	1,033,989,606
Additions/capital expenditure	362,053,325	59,440,473	421,493,798
Reclassification / Correction of an accounting error	(34,827,491)	-	(34,827,491)
Transferred to completed items	(71,673,903)	-	(71,673,903)
	<b>1,214,293,158</b>	<b>134,688,852</b>	<b>1,348,982,010</b>

# City of Mbombela

(Registration number MP326)

Annual Financial Statements for the year ended 30 June 2018

## Notes to the Annual Financial Statements

Figures in Rand	2018	2017
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### Reconciliation of Work-in-Progress 2017

	Included within Infrastructure	Included within Other PPE	Total
Opening balance	1,295,001,462	156,452,189	1,451,453,651
Additions/capital expenditure	494,324,060	19,714,537	514,038,597
Reclassification/ Correction of accounting error	(608,117,419)	(100,918,347)	(709,035,766)
	<b>1,181,208,103</b>	<b>75,248,379</b>	<b>1,256,456,482</b>

### Expenditure incurred to repair and maintain property, plant and equipment

#### Expenditure incurred to repair and maintain property, plant and equipment included in Statement of Financial Performance

Contracted services	204,067,021	184,778,288
Inventory	11,369,522	20,164,465
	<b>215,436,543</b>	<b>204,942,753</b>

A register containing the information required by section 63 of the MFMA is available for inspection at the registered office of the municipality. No property, plant and equipment were pledged as security for liabilities.

### 11. Intangible assets

	2018			2017		
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Licenses and franchises	799,130	(777,805)	21,325	778,069	(777,805)	264
Computer software	16,899,527	(5,385,419)	11,514,108	15,675,126	(4,217,967)	11,457,159
Servitudes	4,590,568	-	4,590,568	4,590,568	-	4,590,568
<b>Total</b>	<b>22,289,225</b>	<b>(6,163,224)</b>	<b>16,126,001</b>	<b>21,043,763</b>	<b>(4,995,772)</b>	<b>16,047,991</b>

#### Reconciliation of intangible assets - 2018

	Opening balance	Additions	Disposals	Amortisation	Total
Licenses and franchises	264	21,061	-	-	21,325
Computer software	11,457,159	1,224,401	-	(1,167,452)	11,514,108
Servitudes	4,590,568	-	-	-	4,590,568
	<b>16,047,991</b>	<b>1,245,462</b>	<b>-</b>	<b>(1,167,452)</b>	<b>16,126,001</b>

#### Reconciliation of intangible assets - 2017

	Opening balance	Additions	Amortisation	Impairment loss	Total
Licenses and franchises	264	-	-	-	264
Computer software	4,525,065	7,929,169	(854,428)	(142,647)	11,457,159
Servitudes	4,590,568	-	-	-	4,590,568
	<b>9,115,897</b>	<b>7,929,169</b>	<b>(854,428)</b>	<b>(142,647)</b>	<b>16,047,991</b>

A register containing the information required by section 63 of the MFMA is available for inspection at the registered office of the municipality. No Intangible assets were pledged as security for liabilities.

# City of Mbombela

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Annual Financial Statements for the year ended 30 June 2018

## Notes to the Annual Financial Statements

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### 12. Heritage assets

	2018			2017		
	Cost	Accumulated impairment losses	Carrying value	Cost	Accumulated impairment losses	Carrying value
Historical monuments	485,639	-	485,639	485,639	-	485,639
Historical buildings	436,805	(235,147)	201,658	436,805	(235,147)	201,658
Stamp collections, military insignia, medals, coin	186,585	-	186,585	186,585	-	186,585
Recreational parks	1,428,088	-	1,428,088	1,428,088	-	1,428,088
<b>Total</b>	<b>2,537,117</b>	<b>(235,147)</b>	<b>2,301,970</b>	<b>2,537,117</b>	<b>(235,147)</b>	<b>2,301,970</b>

#### Reconciliation of heritage assets 2018

	Opening balance	Additions	Disposals	Total
Historical monuments	485,639	-	-	485,639
Historical buildings	201,658	-	-	201,658
Stamp collections, military insignia, medals, coin	186,585	-	-	186,585
Recreational parks	1,428,088	-	-	1,428,088
	<b>2,301,970</b>	<b>-</b>	<b>-</b>	<b>2,301,970</b>

#### Reconciliation of heritage assets 2017

	Opening balance	Total
Historical monuments	485,639	485,639
Historical buildings	201,658	201,658
Stamp collections, military insignia, medals, coin	186,585	186,585
Recreational parks	1,428,088	1,428,088
	<b>2,301,970</b>	<b>2,301,970</b>

A register containing the information required by section 63 of the MFMA is available for inspection at the registered office of the municipality. No Heritage assets were pledged as security for liabilities.

# City of Mbombela

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## Notes to the Annual Financial Statements

Figures in Rand	2018	2017
<b>13. Investments</b>		
<b>Non-current assets</b>		
At amortised cost	18,397,643	17,260,144
A call deposit amounting to R 18 397 643 has been invested with Nedbank as security for the loan of R22 million with the Development Bank of Southern Africa.		
<b>14. Interest Bearing Borrowings</b>		
<b>At amortised cost</b>		
Development Bank of South Africa R200 million	146,842,287	149,527,152
This loan bears interest at 12.62% and is payable bi-annually installments		
Development Bank of South Africa R138.6 million	136,847,744	137,277,567
This loan bears interest at 12.62% and is payable bi-annually installments		
Development Bank of South Africa R21.6 million	10,279,209	9,718,409
This loan bears interest at 10.74% and is payable bi-annually installments		
Standard Bank - R25 million	5,746,974	8,179,218
This loan bears interest at 10.50% and is payable bi-annually installments		
DBSA Loan L121	216,635	278,111
This loan bears interest at 14.5 % and is repayable in bi-annual installments		
DBSA Infrastructure L122	212,298	394,581
This loan bears interest at 15 % and is repayable in bi-annual installments		
DBSA Infrastructure L124	199,003	327,975
This loan bears interest at 16.5 % and is repayable in bi-annual installments		
Stock Loans@ 11.60%	3,000	3,000
	<b>300,347,150</b>	<b>305,706,013</b>
<b>Total interest bearing borrowings</b>	<b>300,347,150</b>	<b>305,706,013</b>
<b>Non-current liabilities</b>		
At amortised cost	242,213,202	287,751,759
<b>Current liabilities</b>		
At amortised cost	58,133,948	17,954,254
<b>15. Other financial liabilities</b>		
Merchandising, jobbing and contracts	4,053,040	3,544,397

# City of Mbombela

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## Notes to the Annual Financial Statements

Figures in Rand	2018	2017
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### 16. Trade and other payables from exchange transactions

Trade payables and accruals	566,460,125	574,409,700
Payments made in advance	106,920,776	80,206,843
Salaries - Employee related costs	1,377,345	4,628,290
Retentions	83,948,007	101,241,114
Leave accrual	52,576,097	48,597,964
Pension and Retirement Contributions	84,136	84,136
Bulk Water	134,202,813	118,673,351
Agency Fees Payable	158,789,017	108,860,630
Unallocated deposits	37,982,544	25,742,526
Bulk Electricity - Eskom	284,783,179	210,485,847
Compensation Commission (COLD)	-	3,417,356
Bonus accrual	15,347,842	13,948,979
	<b>1,442,471,881</b>	<b>1,290,296,736</b>

### 17. Other payables from non - exchange transactions

Transfers payable	11,329,165	9,900,399
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### 18. Long service awards

In accordance with the bargaining collective agreement on conditions of service for the Mpumalanga division and municipal policy, the municipality makes provision for long service awards where employees have uninterrupted service of at least five (5) years.

The amounts recognised in the statement of financial position are as follows:

#### Carrying value

Opening balance	56,475,173	59,687,299
Current service costs	5,313,675	5,163,333
Interest costs	4,780,135	4,461,591
Actuarial gain	6,538,779	(10,774,263)
Expenditure incurred	(4,351,974)	(2,062,787)
	<b>68,755,788</b>	<b>56,475,173</b>

#### Net expense recognised in the statement of financial performance

Current service cost	5,313,675	5,163,333
Interest cost	4,780,135	4,461,591
Actuarial (gains) losses	6,538,779	(10,774,263)
Expenditure incurred	(4,351,974)	(2,062,787)
	<b>12,280,615</b>	<b>(3,212,126)</b>

#### Assumptions for actuarial valuation

Assumptions made from the actuarial valuation as at 30 June 2018 were as follows:

Discount rate	8.13 %	8.70 %
Consumer inflation	10.00 %	10.00 %
Salary inflation	5.88 %	6.53 %

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### Discount rate

GRAP 25 requires that the discount rate be set based on the yields government bonds of appropriate term. The expected remaining working lifetime of eligibile employees was assumed to be 18.8 years. The expected inflation assumption of 4.88% was obtained from the differential between market yields on index-linked bonds (2.62%) consistent with the estimated terms of the liabilities and those of nominal bonds (8.13%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). therefore, expected inflation is determined as  $((1+8.13\% - 0.50\%) / (1+2.62\%)) - 1$ .

A 1% change effect as included on the actuarial valuation report.

	Decrease	Decrease
Discount rate effect on the current service cost	6,474,200	5,874,700
Discount rate effect on the unfunded accrued liability	73,559,000	61,626,000
Discount rate effect on the current service cost	4,936,400	4,627,500
	Increase	Increase
Discount rate effect on the current service cost	5,628,100	58,774,700
Discount rate effect on the unfunded accrued liability	64,501,000	52,014,000
Discount rate effect on the current service cost	5,495,900	4,896,700

### 19. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

#### Unspent conditional grants and receipts

Municipal Infrastructure Grant (MIG)	82,499,886	125,004,259
Integrated National Electrification Programme Grant (INEP)	1,128,856	779,659
Public Transport Network Grant (PTNG)	63,677,142	34,287,821
Water Services Infrastructure Grant (WSIG)	-	4,732,664
Neighbourhood Development Partnership Grant (NDPG)	-	1,965
Municipal Demarcation Grant	-	54,197
Municipal Systems Improvement Grant (MSIG)	9,216	9,216
Donations Taxi Disaster Grant	28,949	28,466
Energy Efficiency Demand Side Management Grant (EEDSM)	213,559	35,685
Municipal Disaster Relief Grant	86,833	86,833
National Lottery Grants	4,500,847	4,500,593
Expanded Public Works Programme Grant (EPWP)	1,063,540	-
	<b>153,208,828</b>	<b>169,521,358</b>

# City of Mbombela

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Annual Financial Statements for the year ended 30 June 2018

## Notes to the Annual Financial Statements

Figures in Rand	2018	2017
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### 20. Provisions

#### Reconciliation of provisions - 2018

	Opening Balance	Additions	Change in discount factor	Total
Environmental rehabilitation	117,678,758	36,615,896	3,084,403	157,379,057

#### Reconciliation of provisions - 2017

	Opening Balance	Change in accounting estimate	Change in discount factor	Reduction due to re-measurement or settlement without cost to entity	Total
Environmental rehabilitation	109,905,735	(2,259,401)	2,375,474	7,656,950	117,678,758
Non-current liabilities					153,913,254
Current liabilities					3,465,803
					<b>157,379,057</b>
					<b>117,678,758</b>

The provision for rehabilitation of landfill sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal in accordance with the National Environmental Management Act 107 of 1998 and the Environment Conservation Act No 73 of 1989. The landfill sites are rehabilitated at the end of each useful life. It is calculated as the present value of the expenditure expected to be required to settle the future obligation to rehabilitate the landfill sites.

The discount rate used reflect the current market assessment of the time value of money and the risks specific to the liability. The valuation for the provision of the landfill sites was reviewed by an independent landfill site and environmental expert

#### Financial Assumptions used for the provision of landfill site

The financial assumptions used for the provision of landfill site rehabilitation at 30 June were as follows:

Adjustments of unit costs	4.48 %	5.64 %
Consumer Price Index (CPI)	4.48 %	5.64 %

#### Discount rate:

Tekwane West and Barberton landfill sites	7.48 %	8.14 %
Mbombela and Mbonisweni landfill sites	6.98 %	8.64 %
Hazyview landfill site	6.98 %	8.14 %

#### Net effective discount rate (inflation linked bond rates) above Consumer Price Index (CPI)

Tekwane West and Barberton landfill sites	3.00 %	2.50 %
Mbombela and Mbonisweni landfill sites	2.50 %	3.00 %
Hazyview landfill site	2.50 %	2.50 %



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## Notes to the Annual Financial Statements

Figures in Rand	2018	2017
<b>21. Finance lease obligation</b>		
<b>Minimum lease payments due</b>		
- within one year	3,182,755	2,591,964
- in second to fifth year inclusive	2,983,547	5,219,785
	6,166,302	7,811,749
less: future finance charges	(650,559)	(1,237,032)
<b>Present value of minimum lease payments</b>	<b>5,515,743</b>	<b>6,574,717</b>
<b>Present value of minimum lease payments due</b>		
- within one year	4,639,134	1,941,807
- in second to fifth year inclusive	876,609	4,632,910
	<b>5,515,743</b>	<b>6,574,717</b>
Non-current liabilities	2,818,416	4,632,909
Current liabilities	2,697,327	1,941,807
	<b>5,515,743</b>	<b>6,574,716</b>

The average lease term is 3 years and the average effective borrowing rate is 10.50%. Interest rates are fixed at the contract date. Some leases have fixed repayments terms. No arrangements have been entered into for contingent rent. Obligations under finance leases are secured by the lessor's title to the leased asset.

## 22. Consumer deposits

Sewerage	5,928,076	4,928,450
Electricity	27,683,345	26,438,760
Water	3,185,592	3,158,193
Sports field and community halls	122,220	68,279
	<b>36,919,233</b>	<b>34,593,682</b>

## 23. Post employment benefits

### Post employment health care employee benefit

The municipality provides for employees and continuation members to subscribe to a South African Local Government Association accredited medical aid scheme. Upon retirement an employee has the option of continued membership to the medical aid scheme. The municipality provides a 60% subsidy of medical scheme contribution to eligible in service and continuation members upon retirement.

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## Notes to the Annual Financial Statements

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The amounts recognised in the statement of financial position are as follows:

Opening balance	140,966,293	196,432,182
Current service costs	7,938,316	10,716,833
Interest costs	13,637,892	15,893,964
Actuarial loss / (gain)	(9,739,385)	(78,828,737)
Actual post-retirement health care benefits payments	(3,694,046)	(3,247,949)
	<b>149,109,070</b>	<b>140,966,293</b>

Non-current liabilities	144,778,791	137,179,853
Current liabilities	4,330,280	3,786,440
	<b>149,109,071</b>	<b>140,966,293</b>

The post employment benefit plan is wholly unfunded.

### Net expense recognised in the statement of financial performance

Current service cost	7,938,316	10,716,833
Interest cost	13,637,892	15,893,964
Actuarial (gains) losses	(9,739,385)	(78,828,737)
Actual post-retirement health care benefits payments	(3,694,046)	(3,247,949)
	<b>8,142,777</b>	<b>(55,465,889)</b>

The medical aid benefit expense is included in employee remuneration.

# City of Mbombela

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Annual Financial Statements for the year ended 30 June 2018

## Notes to the Annual Financial Statements

Figures in Rand	2018	2017
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### Assumptions for actuarial valuation

Assumptions made from the actuarial valuation as at 30 June 2018 were as follows:

Discount rate	9.64 %	9.80 %
Consumer inflation	10.00 %	5.69 %
Medical inflation	7.43 %	8.08 %
Maximum subsidy inflation rate	5.20 %	5.69 %
Expected retirement age (years)	63	63

Discount rate

GRAP 25 requires that the discount rate be set based on the yields government bonds of appropriate term. The duration of the post employment medical aid liabilities was assumed to be 18.7 years based on the previous valuation report. The expected inflation assumption of 5.93% was obtained from the differential between market yields on index linked bonds consistent with the estimated term of the liabilities (3.03%) and those of fixed interest bonds (9.64%) with a premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%). This was therefore determined as follows:  $((1+9.64\% - 0.50\%) / (1+3.03\%)) - 1$ .

A 1% change effect as included on the actuarial valuation reports.

	Decrease	Decrease
Health cost inflation effect on the current service cost	6,962,400	6,962,400
Health cost inflation effect on the defined benefit liability	134,914,000	128,327,000
Discount rate effect on the current service cost	9,918,500	9,918,500
Discount rate effect on the health care benefit liability	175,439,000	166,498,000
Health cost inflation effect on the current interest cost	12,802,800	12,399,700
Discount rate effect on the current service interest cost	14,974,800	14,494,000

	Increase	Increase
Health cost inflation effect on the current service cost	8,818,300	8,818,300
Health cost inflation effect on the defined benefit liability	159,520,000	149,798,000
Discount rate effect on the current service cost	6,594,500	6,594,500
Discount rate effect on the health care benefit liability	128,292,000	120,859,000
Health cost inflation effect on the current interest cost	15,172,800	14,502,800
Discount rate effect on the current interest cost	14,974,800	12,857,300

The amounts disclosed above represent a wholly unfunded defined benefit obligation.

### 24. Operating lease asset (accrual)

Current assets	232,381	42,358
Non-current liabilities	(533,634)	(271,543)
	<b>(301,253)</b>	<b>(229,185)</b>

### 25. Service charges

Sale of electricity	872,307,275	783,692,469
Sale of water	94,756,157	81,121,174
Solid waste	100,726,518	83,264,070
Sewerage and sanitation charges	27,221,550	22,983,561
	<b>1,095,011,500</b>	<b>971,061,274</b>

### 26. Rental of facilities and equipment

Premises		
Premises	9,748,462	13,853,756

# City of Mbombela

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## Notes to the Annual Financial Statements

Figures in Rand	2018	2017
<b>Facilities and equipment</b>		
Rental of facilities	129,630	141,472
	<b>9,878,092</b>	<b>13,995,228</b>
<b>27. Agency services</b>		
<b>Department of Community Safety, Security and Liaison</b>		
Agency services	38,796,084	34,708,403
Revenue received on behalf of the Department	194,834,924	157,640,640
Less: Licence card fees	(3,128,892)	(2,377,441)
Less: VAT on agency fees	(5,547,443)	(4,533,823)
Less: Accruals and payments to the Departments	(147,362,505)	(116,020,973)
	<b>38,796,084</b>	<b>34,708,403</b>
<b>28. Other income</b>		
Collection fees	3,450,636	3,627,351
Advertisements	3,931,285	2,249,798
Bad Debts Recovered	4,634,722	6,783,490
Municipal Information and Statistics	1,461,150	869,160
Insurance Refund	1,934,287	576,616
Application Fees for Land Usage	9,368,491	4,929,120
Fire services	213,592	67,029
Burial fees	703,480	641,946
Meal and Refreshment	-	11,086
Administration and management fees received	4,431,922	3,819,525
Commissions received	2,548,420	2,229,435
Membership fees - library	2,908	5,712
Amendments fees	3,836,528	727,563
Revenue recognised from service contributions	3,242,258	3,043,796
Sale of Property	320,000	597,035
Skills Development Levy Refund	-	1,969,558
Staff recoveries	42,544	62,320
Entrance fees	149,726	197,738
Licence and permits	3,194,937	-
Photocopies and fax	139,814	128,538
Membership fees	-	1,195
Refreshments	-	3,407
	<b>43,606,700</b>	<b>32,541,418</b>
<b>29. Finance income</b>		
Cash and cash equivalents	8,581,381	1,609,842
Receivables from exchange transactions	42,909,473	26,630,563
	<b>51,490,854</b>	<b>28,240,405</b>
<b>30. Gain or (loss) on impairment</b>		
Gain (loss) on impairment	218,367,607	(72,265,685)

Council has at its meeting held 31 May 2018 under item A(4) resolved to write-off irrecoverable debts that was previously provided for.

# City of Mbombela

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Annual Financial Statements for the year ended 30 June 2018

## Notes to the Annual Financial Statements

Figures in Rand	2018	2017
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### 31. Property rates

#### Rates received

Residential	269,574,560	225,444,220
Commercial	306,854,572	253,601,897
State	77,048,279	55,579,572
Agriculture	24,983,568	19,663,123
Other	3,714,156	3,403,556
Less: Income forgone	(216,041,075)	(187,559,646)
	<b>466,134,060</b>	<b>370,132,722</b>

#### Valuations

Residential	28,655,494,814	28,575,732,741
Commercial	13,691,218,223	13,030,743,999
State	2,938,664,904	2,536,697,904
Municipal	19,622,500	1,311,171,241
Agriculture	7,508,185,830	7,544,754,665
Other	592,381,334	1,001,074,744
	<b>53,405,567,605</b>	<b>54,000,175,294</b>

The City has been implementing the two separate existing valuation rolls from the former Umjindi and Mbombela local municipalities for the 2017/2018 financial year. These separate valuation rolls came into effect on 1 July 2014 for the former Mbombela local municipality and 1 July 2013 for the former Umjindi local municipality. Interim valuations were conducted through the supplementary rolls, to take amendments on individual property values due to alterations into account.

A general rate of 0.009812 cent in a Rand (2017 : 0.008900) was applied to property valuations to determine property rates. Various rebates are granted to residential, business, agricultural and other properties and/or categories of owners in terms of the approved Property Rates By-Law. Rates are levied on a monthly basis on property owners. Interest at 11.25% per annum (2017 :11.50%) is levied on outstanding rates.

The City has compiled and certified the General Valuation roll for the City which will be enforceable from 1 July 2018 until 30 June 2023.

# City of Mbombela

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Annual Financial Statements for the year ended 30 June 2018

## Notes to the Annual Financial Statements

Figures in Rand	2018	2017
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### 32. Government grants and subsidies

#### Operating grants

Equitable share	608,678,000	463,245,306
Financial Management Grant	3,400,001	3,442,762
Municipal Systems Improvement Grant	-	378,738
Expanded Public Works Programme	5,650,460	5,686,000
Municipal Infrastructure Grant	14,793,727	11,472,188
Municipal Demarcation Grant	4,565,999	10,142,798
Public Transport Network Grant	53,884,654	-
	<b>690,972,841</b>	<b>494,367,792</b>

#### Capital grants

Municipal Infrastructure Grant	326,383,639	277,931,243
Energy Efficiency Demand Side Management	9,422,108	9,964,315
Neighbourhood Development Partnership Grant	38,135,000	48,635,035
Integrated National Electrification Programme	31,235,477	10,221,871
Municipal Demarcation Grant	-	3,231,007
Water Services Infrastructure Grant	29,273,000	101,115,470
Provincial Human Settlement Grant	-	22,342,571
Public Transport Network Grant	94,111,204	164,575,094
	<b>528,560,428</b>	<b>638,016,606</b>
	<b>1,219,533,269</b>	<b>1,132,384,398</b>

#### Equitable Share

Equitable share	608,678,000	463,245,306
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This grant is unconditional and is partially utilised for the indigent support through provision free basic services.

#### Municipal Infrastructure Grant (MIG)

Balance unspent at beginning of year	125,004,259	83,748,690
Current-year receipts	339,939,000	330,659,000
Conditions met - transferred to revenue - capital	(283,205,263)	(242,390,471)
Conditions met - transferred to revenue - operating	(14,793,727)	(11,472,188)
Conditions met - transferred to revenue - VAT	(43,178,375)	(35,540,772)
Transferred to equitable share	(41,266,008)	-
	<b>82,499,886</b>	<b>125,004,259</b>

This grant was used to accelerate basic infrastructure backlogs for the benefit of poor households. The amount transferred to operating relates to projects budgeted for as capital and service delivery related but for financial reporting purposes the asset identification and recognition criteria is not met. The revenue recognised met the conditions of the grant. The unspent amount is committed.

#### Integrated National Electrification Programme Grant (INEP)

Balance unspent at beginning of year	779,659	1,530
Current-year receipts	31,000,000	11,000,000
Conditions met - transferred to revenue - capital	(26,103,336)	(8,966,553)
Conditions met - transferred to revenue - operating	-	(1,255,318)
Conditions met - transferred to revenue - VAT	(3,767,807)	-
Transferred to equitable share	(779,660)	-
	<b>1,128,856</b>	<b>779,659</b>

# City of Mbombela

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The grant was used to address the electrification backlogs of occupied residential dwellings and the installation of bulk infrastructure, rehabilitation and refurbishment of electricity infrastructure in order to improve the quality of supply. The revenue recognised met the conditions of the grant. The unspent amount is committed.

### Public Transport Network Grant (PTNG)

Balance unspent at beginning of year	34,287,821	27,480,433
Current-year receipts	211,673,000	200,058,000
Conditions met - transferred to revenue - capital	(75,517,774)	(105,125,393)
Conditions met - transferred to revenue - operating	(53,884,654)	(39,238,725)
Conditions met - transferred to revenue - VAT	(18,593,430)	(20,210,980)
Transferred to equitable share	(34,287,821)	(28,675,514)
	<b>63,677,142</b>	<b>34,287,821</b>

The grant was used for accelerated planning, construction and improvement of public and non-motorised transport infrastructure and services. The revenue recognised met the conditions of the grant. The unspent amount is committed.

### Water Services Infrastructure Grant (WSIG)

Balance unspent at beginning of year	4,732,664	10,476,134
Current-year receipts	29,273,000	95,372,000
Conditions met - transferred to revenue - capital	(25,663,000)	(88,596,367)
Conditions met - transferred to revenue - VAT	(3,610,001)	(12,519,103)
Transferred to equitable share	(4,732,666)	-
	<b>-</b>	<b>4,732,664</b>

The grant was used for implementation of various water and sanitation projects in order to accelerate backlog reduction and improve the sustainability of services. The revenue recognised met the conditions of the grant.

### Neighbourhood Development Partnership Grant (NDPG)

Balance unspent at beginning of year	1,965	12,718,789
Current-year receipts	38,135,000	48,637,000
Conditions met - transferred to revenue - capital	(33,290,322)	(42,662,311)
Conditions met - transferred to revenue - VAT	(4,844,677)	(5,972,724)
Transferred to equitable share	(1,966)	(12,718,789)
	<b>-</b>	<b>1,965</b>

The grant was used to plan, catalyst and invest in targeted locations in order to attract and sustain third party capital investment aimed at spatial transformation in under served neighbourhoods, specifically in townships. The revenue recognised met the conditions of the grant.

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## Notes to the Annual Financial Statements

Figures in Rand	2018	2017
<b>Municipal Demarcation Grant</b>		
Balance unspent at beginning of year	54,197	5,372,002
Current-year receipts	4,566,000	8,056,000
Conditions met - transferred to revenue	(3,980,440)	(3,358,510)
Conditions met - transferred to revenue - VAT	(585,560)	(8,372,898)
Transferred to equitable share	(54,194)	(1,642,397)
	<b>-</b>	<b>54,197</b>

The grant was used for institutional and administrative costs due to the amalgamation of the former Mbombela local municipality and Umjindi local municipality into the newly established City of Mbombela. The revenue recognised met the conditions of the grant.

### Municipal Systems Improvement Grant (MSIG)

Balance unspent at beginning of year	9,216	387,955
Conditions met - transferred to revenue	-	(378,739)
	<b>9,216</b>	<b>9,216</b>

The grant was used for the implementation of revenue enhancement strategy, strengthening administrative systems for effective implementation of ward participation system, financial systems support and improving municipal audit outcome

### Finance Management Grant (FMG)

Balance unspent at beginning of year	-	192,762
Current-year receipts	3,400,000	5,936,000
Conditions met - transferred to revenue	(3,400,000)	(6,128,762)
	<b>-</b>	<b>-</b>

The grant was used to promote and support financial management reforms through financial management internship reforms and in-house capacity building programmes. The revenue recognised met the conditions of the grant.

### Donations Taxi Disaster Grant

Balance unspent at beginning of year	28,466	28,008
Current-year receipts	483	458
	<b>28,949</b>	<b>28,466</b>

The grant was utilised for various projects in accordance with the conditions as set out in the grant framework.

### Energy Efficiency Demand Side Management (EEDSM)

Balance unspent at beginning of year	35,685	7,000,000
Current-year receipts	11,000,000	10,000,000
Conditions met - transferred to revenue - capital	(9,422,108)	(5,959,132)
Conditions met - transferred to revenue - operating	-	(2,781,495)
Conditions met - transferred to revenue - VAT	(1,364,333)	(1,223,688)
Transferred to equitable share	(35,685)	(7,000,000)
	<b>213,559</b>	<b>35,685</b>

The grant was used to implement energy efficiency and demand side management initiatives in order to reduce electricity consumption and improve energy efficiency. The revenue recognised met the conditions of the grant. The unspent amount is committed.



## City of Mbombela

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### Notes to the Annual Financial Statements

Figures in Rand	2018	2017
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#### Disaster Relief Grant

Balance unspent at beginning of year	86,833	86,833
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#### Provincial Human Settlement Grant

Balance unspent at beginning of year	-	22,342,571
Conditions met - transferred to revenue	-	(19,598,746)
Other	-	(2,743,825)
	-	-

The grant was previously used to to implement sustainable and intergrated human settlements programmes.

#### National Lottery Grant

Balance unspent at beginning of year	4,500,593	4,500,367
Current-year receipts	254	226
	<b>4,500,847</b>	<b>4,500,593</b>

The grant was intended for Sports Development programmes. The unspent balance is committed.

#### Expanded Public Works Programme

Current-year receipts	6,714,000	5,686,000
Conditions met - transferred to revenue	(5,650,460)	(5,686,000)
	<b>1,063,540</b>	-

The grant was used to expand labour intensive delivery methods in waste management, road maintenance and other programmes in accordance with the grant framework. The unspent amount is committed.

# City of Mbombela

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## Notes to the Annual Financial Statements

Figures in Rand	2018	2017
<b>33. Employee related costs</b>		
Basic salary and wages	414,285,846	351,875,678
Bonus	34,328,363	26,362,982
Social Contributions - Medical	37,723,521	31,858,912
Social Contributions - Unemployment Insurance Fund	3,441,436	3,058,701
Tools allowance	303,956	254,618
Payment in lieu of leave	5,437,376	6,752,126
Overtime -Non Structured	91,866,535	81,017,918
Defined benefit obligation	21,576,208	26,610,797
Overtime - Structured	288,176	1,303,067
Social Contributions:Pension	83,465,017	68,207,844
Uniform/Special/Protective Clothing	11,888	345,697
Acting and post related allowances	2,209,117	1,391,624
Travel or motor vehicle	39,990,838	31,818,545
Housing benefit	3,518,728	3,246,014
Long service award	16,632,589	9,624,924
Standby Allowance	15,388,151	13,157,964
Cellular and telephone	4,396,534	3,460,029
Actuarial Gain on Defined Benefit Liability	(9,739,385)	(89,603,000)
Social Contributions - Group Life Insurance	4,757,332	3,736,021
Social Contributions - Bargaining Council	191,417	166,917
Overtime - Shift additional remuneration	5,033,579	2,226,089
Remuneration of the Municipal Manager	2,277,549	2,026,893
Remuneration of Deputy Municipal Manager - Core Services	2,059,824	1,331,339
Remuneration of Deputy Municipal Manager - Auxilliary Services	1,251,947	943,286
Remuneration of General Manager - City Planning	1,815,679	1,143,629
Remuneration of General Manager - Community Services	1,503,713	1,079,707
Remuneration of General Manager - Corporate Services	1,631,641	1,097,859
Remuneration of General Manager - Energy	1,531,127	1,170,469
Remuneration of General Manager - Public Safety	1,020,820	1,039,354
Remuneration of General Manager - Public works, Roads and Transport	905,450	1,165,308
Remuneration of General Manager - Regional Centre Coordination	1,020,820	1,032,595
Remuneration of General Manager - Strategic Management Services	1,468,454	1,209,874
Remuneration of General Manager - Water and Sanitation	1,203,015	1,209,791
Remuneration of the Chief Financial Officer	-	1,421,504
	<b>792,797,261</b>	<b>592,745,075</b>

### Remuneration of Municipal Manager

Annual Remuneration	1,904,284	1,226,697
Contributions to UIF, Medical and Pension Funds	1,884	282,868
Car Allowance	300,000	191,319
Cellphone allowance	71,381	55,498
Payment in lieu of leave	-	270,511
	<b>2,277,549</b>	<b>2,026,893</b>

### Remuneration of Chief Financial Officer

Annual Remuneration	-	949,072
Contributions to UIF, Medical and Pension Funds	-	114,243
Car Allowance	-	213,333
Cellphone allowance	-	29,544
Payment in lieu of leave	-	115,312
	-	<b>1,421,504</b>

The position of the Chief Financial Officer became vacant from 1 July 2017. The Co-Operative Governance and Traditional Affairs Department seconded an Acting Chief Financial Officer from Ehlanzeni District Municipality for 18 months period.

# City of Mbombela

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## Notes to the Annual Financial Statements

Figures in Rand	2018	2017
<b>Remuneration of General Manager - Strategic Management Services</b>		
Annual Remuneration	885,614	881,703
Contributions to UIF, Medical and Pension Funds	84,803	85,294
Cellphone allowance	30,022	29,544
Car Allowance	202,559	213,333
Payment in lieu of leave	201,711	-
Acting allowance	63,745	-
	<b>1,468,454</b>	<b>1,209,874</b>
<b>Remuneration of Deputy Municipal Manager - Auxilliary Services</b>		
Annual Remuneration	978,893	555,913
Contributions to UIF, Medical and Pension Funds	1,487	117,193
Car Allowance	242,500	59,844
Cellphone allowance	29,067	31,397
Payment in lieu of leave	-	178,939
	<b>1,251,947</b>	<b>943,286</b>
<b>Remuneration of Deputy Municipal Manager - Core Services</b>		
Annual Remuneration	1,401,426	912,980
Contributions to UIF, Medical and Pension Funds	1,785	1,537
Car Allowance	376,842	377,217
Cellphone allowance	23,190	18,700
Acting allowance	69,622	20,905
Payment in lieu of leave	186,959	-
	<b>2,059,824</b>	<b>1,331,339</b>
<b>Remuneration of General Manager - Corporate Services</b>		
Annual Remuneration	1,192,529	778,635
Contributions to UIF, Medical and Pension Funds	19,267	60,170
Car Allowance	240,000	213,333
Cellphone allowance	35,684	29,544
Acting allowance	2,622	16,177
Payment in lieu of leave	141,539	-
	<b>1,631,641</b>	<b>1,097,859</b>
<b>Remuneration of General Manager - Regional Centre Coordination</b>		
Annual Remuneration	754,443	645,987
Contributions to UIF, Medical and Pension Funds	1,338	1,450
Car Allowance	236,706	210,460
Cellphone allowance	28,333	14,500
Payment in lieu of leave	-	160,198
	<b>1,020,820</b>	<b>1,032,595</b>

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### Remuneration of General Manager - Public Works, Roads and Transport

Annual Remuneration	702,328	649,648
Contributions to UIF, Medical and Pension Funds	42,307	137,143
Car Allowance	140,000	241,667
Cellphone allowance	20,815	20,406
Payment in lieu of leave	-	116,444
	<b>905,450</b>	<b>1,165,308</b>

Council has appointed the General Manager - Public Works, Roads, transport and Leader of Government Business with effect from 1 December 2017 at its meeting held 30 November 2017 under item B(4).

### Remuneration of General Manager - Energy

Annual Remuneration	1,144,452	888,398
Contributions to UIF, Medical and Pension Funds	1,785	1,586
Car Allowance	290,113	234,636
Cellphone allowance	19,325	16,000
Acting allowance	75,452	29,849
	<b>1,531,127</b>	<b>1,170,469</b>

### Remuneration of General Manager - Water and Sanitation

Annual Remuneration	850,193	848,998
Contributions to UIF, Medical and Pension Funds	169,902	171,249
Car Allowance	152,898	160,000
Cellphone allowance	30,022	29,544
	<b>1,203,015</b>	<b>1,209,791</b>

### Remuneration of General Manager - Community Services

Annual Remuneration	1,010,101	712,222
Contributions to UIF, Medical and Pension Funds	69,416	71,440
Car Allowance	317,500	266,667
Cellphone allowance	37,988	29,378
Payment in lieu of leave	68,708	-
	<b>1,503,713</b>	<b>1,079,707</b>

### Remuneration of General Manager - Public Safety

Annual Remuneration	754,443	645,987
Contributions to UIF, Medical and Pension Funds	1,338	1,302
Cellphone allowance	28,333	14,500
Car Allowance	236,706	210,460
Payment in lieu of leave	-	167,105
	<b>1,020,820</b>	<b>1,039,354</b>

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Annual Financial Statements for the year ended 30 June 2018

## Notes to the Annual Financial Statements

Figures in Rand	2018	2017
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### Remuneration of General Manager - City Planning

Annual Remuneration	1,114,860	760,981
Contributions to UIF, Medical and Pension Funds	306,070	225,104
Car Allowance	144,000	128,000
Cellphone allowance	35,684	29,544
Payment in lieu of leave	215,065	-
	<b>1,815,679</b>	<b>1,143,629</b>

### Remuneration of General Manager - Office of Council

Annual Remuneration	742,674	-
Contributions to UIF, Medical and Pension Funds	1,041	-
Car allowance	140,000	-
Cellphone allowance	20,815	-
	<b>904,530</b>	<b>-</b>

Council has appointed the General Manager - Office of Council with effect from 1 December 2017 at its meeting held 30 November 2017 under item B(2).

### Remuneration of General Manager - Legal Services

Annual Remuneration	-	442,012
Contributions to UIF, Medical and Pension Funds	-	892
Cellphone allowance	-	9,000
Car allowance	-	143,688
Payment in lieu of leave	-	167,105
	<b>-</b>	<b>762,697</b>

The contract for General Manager Legal services expired 31 January 2017.

### 34. Remuneration of councillors

Executive Mayor	1,029,624	868,007
Mayoral Committee Members	7,640,450	6,024,969
Speaker	818,805	681,274
Councillors	25,621,144	20,868,784
Councillors' pension contribution	2,573,195	1,617,264
Chief whip	738,605	619,804
	<b>38,421,823</b>	<b>30,680,102</b>

Remuneration paid to all councillors are within the upper limits set by the Minister for Co-Operative Governance and Traditional Affairs as per his vested power set out in the Remuneration of Public Office Bearers Act no 20 of 1998.

### In-kind benefits

The Executive Mayor, the Speaker and Members of the Mayoral Committee are full-time. Each is provided with an office and secretarial support at the cost of the Council. The Executive Mayor and Speaker have the use of a Council leased vehicle for official duties.

Council provided security at the private residences of the Executive Mayor and several other councillors through private security firms at the cost to Council.

# City of Mbombela

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Annual Financial Statements for the year ended 30 June 2018

## Notes to the Annual Financial Statements

Figures in Rand	2018	2017
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### 35. Depreciation and amortisation

Property, plant and equipment	497,858,943	454,544,702
Investment property	2,112,006	2,195,112
Intangible assets	1,167,452	854,428
	<b>501,138,401</b>	<b>457,594,242</b>

### 36. Operating lease

Operating lease	6,454,917	9,996,961
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The City is leasing various buildings for office accommodation purposes and fleet vehicle for the official trips of the Executive Mayor. These lease contracts have options for renewal on the terms and conditions agreed by all parties. The escalation rates ranges between 8-10 per cent respectively for the office accommodation leases.

The fleet vehicle lease agreement provides for full maintenance and service costs borne by the financial service provider . The related asset shall be returned in a roadworthy condition and be in compliance fair wear and tear state. There is no escalation for the fleet vehicle contract.

There is no contingent rent paid or payable on all the agreements.

### 37. Finance costs

Borrowings	34,151,763	30,593,007
Trade and other payables	28,110,657	15,920,850
Finance leases	39,478	76,164
Bank	86,543	1,077,493
Other interest payable	3,084,403	2,375,474
	<b>65,472,844</b>	<b>50,042,988</b>

### 38. Bad debts written off

Bad debts written off	378,672,889	23,416,680
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Council has at its meeting held 31 May 2018 under item A(4) resolved to write-off irrecoverable debts.

### 39. Bulk purchases

Electricity	666,761,691	563,657,085
Water	40,139,541	49,313,621
	<b>706,901,232</b>	<b>612,970,706</b>

# City of Mbombela

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## Notes to the Annual Financial Statements

Figures in Rand	2018	2017
<b>40. Contracted services</b>		
Information Technology Services	16,502,293	29,962,466
Sports and recreation	83,180	902,471
Refuse removal	25,495,340	18,229,997
Clearing and grass cutting services	18,933,540	28,648,068
Cleaning services	4,750,238	4,303,431
Occupational Health and Safety	-	170,500
Artists and performers	93,800	370,182
Burial services	3,587,801	1,677,090
Personal and labour	604,510	1,780,993
Meter management	10,255,129	8,255,333
Internal Auditors	1,776,900	1,185,625
Drivers licence cards	2,636,287	2,285,391
Mini dumping sites	21,103,372	11,821,965
Contractors - Water and Sanitation Services	29,833,109	25,892,871
Traffic fines management	-	11,453
Human resources	3,821,948	3,151,736
Research and advisory	17,450,449	56,897,630
Connection/dis-connection:Electricity	991,470	1,736,345
Project management	17,551,393	22,938,802
Business and Advisory - Organisational	1,108,179	985,261
Illegal dumping	13,065,919	17,247,326
Hygiene services	205,230	541,515
Engineering - civil	54,375,387	79,714,983
Business and financial management	28,953,614	20,822,568
Accounting and auditing	7,565,336	10,770,480
Engineering - Electrical	-	2,781,495
Engineering - Structural	-	404,717
Land and quantity surveyors	-	2,810
Infrastructure and Planning - Town Planner	2,215,898	901,186
Laboratory services - Water	1,323,760	988,326
Legal Cost - Legal advice and litigation	7,124,709	3,388,473
Legal Cost - Collection	741,360	1,491,819
Legal Cost - Issue of Summons	539,521	356,388
Commissions and Committees	-	7,042,869
Medical examinations	-	316,325
Infrastructure and Planning - Architectural	-	50,050
Quality control	-	1,736,663
Valuer and Assessors	-	21,645
Stage and sound crew	828,862	1,009,149
Audio-visual Services	172,812	88,275
Maintenance of buildings and facilities	21,186,454	13,328,780
Electrical	18,140,209	23,527,231
Event promoters	1,792,335	17,207,756
Fire protection	4,691,956	5,591,166
Gardening services	19,468,437	9,052,985
Contractors - Building	-	1,706,653
Contractors - Maintenance of buildings and facilities	155,053	10,367,411
Contractors - Maintenance of unspecified assets	91,020,765	85,052,732
Contractors - Maintenance of equipment	13,858,458	10,777,646
Photographer	-	114,232
Stream cleaning and ditching	-	1,336,640
Traffic and street lights	2,530,942	6,293,742
Grading of sport fields	3,752,312	2,267,611
Graphic designers	27,435	28,959
Catering Services	6,390,609	10,062,632
Gas	4,897	-
Transportation	15,000	-
Security Services	54,619,086	55,534,918

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Figures in Rand	2018	2017
Alien Vegetation Control	398,649	-
	<b>531,743,943</b>	<b>623,135,766</b>

### 41. Transfers and subsidies

Non-profit institutions	2,823,446	2,287,467
Social Assistance: Grant In Aid	28,275	174,624
Poverty relief	51,752	131,471
Free basic services - electricity	4,401,184	58,852
Free basic services - water	33,245,132	36,618,284
	<b>40,549,789</b>	<b>39,270,698</b>

### 42. General expenses

Advertising	3,706,485	9,476,778
Auditors remuneration	6,127,940	7,472,367
Bank charges	4,323,558	4,078,771
Materials and Supplies	3,833,948	4,110,740
Commission - Prepaid electricity	3,949,986	4,026,496
Consulting and professional fees	-	191,333
Consumables	38,357,549	31,007,726
Entertainment	98,683	36,481
Vehicle tracking	3,725,003	2,808,492
System access and information fees	-	264,693
Insurance	7,089,467	6,385,811
Workmen's Compensation Fund	3,599,122	3,417,356
Learnerships and Internships	5,242,039	5,193,925
Travel and subsistence	6,364,920	5,352,814
Skills Development Fund Levy	6,788,977	5,478,897
Signage	1,398,227	29,485
Fuel and oil	-	15,118,595
Postage and courier	2,403,967	1,880,951
Storage of Files (Archiving)	101,533	92,639
Uniform and protective clothing	4,844,462	2,176,044
Printing - Publications and books	575,179	3,129,659
Contribution to provisions - Rehabilitation of Landfill Sites	33,231,721	7,656,950
Honoraria (Voluntarily Workers)	27,500	2,000
Professional bodies, membership and subscription	7,848,455	6,919,808
Telephone and fax	12,492,047	12,933,807
Transport provided as part of departmental activities	1,392,663	3,536,952
Gifts and Promotional Items	-	15,800
Travel agency fees	318,727	222,080
Achievements and Awards	6,781	49,866
Title deed search fees	170,365	163,331
Municipal services	78,563,819	72,057,713
Rewards Incentives	3,657,451	11,798
Registration fees	4,693,841	309,578
Bursaries	1,654,794	2,121,488
Indigent relief	12,077,232	4,617,737
Remuneration to Ward Committees	5,107,029	1,624,000
Licences	1,919,803	3,075,162
Entertainment - Mayor	-	53,876
Entertainment - Senior Management	-	26,001
	<b>265,693,273</b>	<b>227,128,000</b>



# City of Mbombela

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## Notes to the Annual Financial Statements

Figures in Rand	2018	2017
<b>43. Cash generated from operations</b>		
Deficit for the year	(182,849,174)	(150,790,912)
<b>Adjustments for:</b>		
Depreciation and amortisation	501,138,401	457,594,242
Gain on sale of assets and liabilities	3,547,503	520,827
Inventory write off	-	679,418
Finance costs - Finance leases	39,478	76,164
Bad debts written off	378,672,889	23,416,680
Impairment of debtors	-	72,265,685
Movements in operating lease assets and accruals	72,068	319,095
Movements in retirement benefit assets and liabilities	8,142,778	(57,838,377)
Movements in provisions	39,700,299	7,773,023
Movement in long service award	(5,621,469)	839,637
<b>Changes in working capital:</b>		
Inventories	(1,216,836)	8,006,384
Other receivables from exchange transactions	(17,024,495)	(32,816,444)
Trade receivables from exchange transactions	(394,397,451)	(133,794,817)
Trade receivables from non-exchange transactions	(24,684,842)	6,326,874
Deposits	(45,000)	(504,866)
Trade and other payables from exchange transactions	152,175,150	419,048,376
Value Added Tax	35,325,609	(12,731,307)
Other payables from non - exchange transactions	1,428,766	4,958,211
Unspent conditional grants and receipts	(16,312,530)	(4,814,716)
Consumer deposits	2,325,551	3,742,433
	<b>480,416,695</b>	<b>612,275,610</b>
<b>44. Auditors' remuneration</b>		
Fees	6,127,940	7,472,367

# City of Mbombela

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## Notes to the Annual Financial Statements

Figures in Rand	2018	2017
<b>45. Correction of Accounting error</b>		
Opening Balance - Accumulated Surplus as at 11 August 2016	- 6,072,816,941	
Correction of error - Net effect on accumulated surplus	- (47,856,134)	
	<b>- 6,024,960,807</b>	
<b>The reported opening accumulated surplus has been adjusted with the following identified errors:</b>		
<b>Adjustments affecting the statement of financial position:</b>		
Decrease in capital work in progress - Accounting for capital expenditure previously recorded as capital work in progress that did not meet the recognition criteria in terms of GRAP 17	- (83,731,525)	
Increase in Vat refundable - Supplier invoices for the prior year captured and the corresponding Vat raised	- 1,921,224	
Decrease in Operating lease asset - Erroneous omission of an invoice relating to property rentals	- (190,023)	
Decrease in Investment property - Land that was sold in prior year but was not derecognised	- (4,636,440)	
Increase in Property, plant and equipment - land held for sale but not yet transferred reclassified to PPE	- 42,015,280	
Increase in Deposits - Bulk Electricity deposits previously expensed	- 175,000	
Increase in Trade and other payables from exchange transactions - Invoices not accrued for during the 2016/2017 financial year	- (40,539,614)	
	<b>- (84,986,098)</b>	
Transactions affecting the prior to prior accumulated surplus	- 47,856,134	
Transactions affecting the prior year deficit	- 37,129,964	
	<b>- 84,986,098</b>	
Assets	- 44,446,484	
Liabilities	- 40,539,614	
<b>Net Effect on the Statement of Financial Position</b>	<b>- 84,986,098</b>	
<b>The reported net deficit for the previous year has been adjusted by the following identified accounting errors:</b>	<b>- (113,660,948)</b>	
Increase in Service charges for revenue not billed during the 2016/2017 financial year	- 2,366,607	
Increase in Employee related costs due to basic salaries back pay for employees	- (16,407,011)	
Increase in Depreciation and Amortisation for completed assets not depreciated in the 2016/2017 financial year	- (2,370,812)	
Increase in Finance costs resulting from interest charged by suppliers not accrued during the 2016/2017 financial year	- (1,379,303)	
Increase in Operating lease expense for invoices not accrued during the 2016/2017 financial year	- (190,023)	
Increase in Bulk electricity purchases for invoices not accrued during the 2016/2017 financial year	- (6,235,641)	
Increase in Contracted services for invoices not accrued during the 2016/2017 financial year	- (16,809,844)	
Decrease in General expenses relating to over charges on municipal services rectified	- 3,896,063	
<b>Net effect of adjustments on the prior year</b>	<b>- (150,790,912)</b>	
<b>Adjustments affecting the statement of financial position</b>		

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### Notes to the Annual Financial Statements

Figures in Rand	2018	2017
Increase in trade and other payables from exchange transactions	-	(37,125,759)
Decrease in property, plant and equipment	-	(2,370,812)
Increase in trade receivables from exchange transactions	-	2,366,607
<b>Total effect on statement of financial position</b>	<b>-</b>	<b>(37,129,964)</b>
<b>Adjustments affecting the statement of financial performance</b>		
Increase in contracted services (1.1)	-	(16,809,844)
Increase in employee related costs (1.2)	-	(16,407,011)
Increase in finance costs (1.1)	-	(1,379,303)
Decrease in general expenses (1.1)	-	3,896,063
Increase in operating leases (1.1)	-	(190,023)
Increase in depreciation on Property, plant and equipment (2.1)	-	(2,370,812)
Increase in service charges - Electricity (3.1)	-	2,366,607
Increase in Bulk purchases (1.1)	-	(6,235,641)
<b>Total effect on accumulated surplus</b>	<b>-</b>	<b>(37,129,964)</b>

1.1 The Municipality received invoices that related to the 2016 / 2017 financial year. These invoices were paid and the corresponding restatements were corrected in the prior year.

1.2 The Municipality recalculated back pay for basic salary due to employees, this was due for the 2016 /2017 financial period.

2.1 The completed assets of property, plant & equipment, were componentised and the corresponding depreciation was recognised.

3.1 The Municipality erroneously omitted the raising of revenue for electricity charges

# City of Mbombela

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Annual Financial Statements for the year ended 30 June 2018

## Notes to the Annual Financial Statements

Figures in Rand	2018	2017
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### 46. Comparative figures

Certain comparative figures have been reclassified due to Municipal Standard Chart of Accounts (mSCOA) and Generally Recognised Accounting Practice (GRAP) to ensure fair presentation and consistency.

Catering for municipal activities was reclassified from general expenses to contracted services - catering services.

Non-current portion of receivables item was reclassified from trade and other payables from non-exchange transactions to non-current portion of receivables.

Section 79 committee - remuneration of councillors was reclassified to councillors - remuneration of councillors.

The effects of the reclassification are as follows:

#### Statement of financial position - extract

	Comparative figures previously reported	Reclassifi- cation	After reclassification
Non-current portion of receivables	351,394	2,054,018	2,405,412
Other payables from non-exchange transactions	7,846,381	2,054,018	9,900,399
<b>Total</b>	<b>8,197,775</b>	<b>4,108,036</b>	<b>12,305,811</b>

#### Statement of financial performance - extract

	Comparative figures previously reported	Reclassifi- cation	After reclassification
Contracted services	606,325,922	10,038,216	616,364,138
Remuneration of Councillors - Councillors	17,104,722	3,764,062	20,868,784
General expenses	231,024,063	(10,038,216)	220,985,847
<b>Total</b>	<b>854,454,707</b>	<b>3,764,062</b>	<b>858,218,769</b>

# City of Mbombela

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## Notes to the Annual Financial Statements

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### 47. Commitments

#### Authorised capital expenditure

##### Already contracted for

• Infrastructure - Water	122,470,210	236,330,032
• Infrastructure - Roads, Pavement and Stormwater	352,540,525	367,996,217
• Infrastructure - Electricity	11,947,731	20,479,428
• Infrastructure - Waste Water	45,408,590	73,866,862
• Infrastructure - Solid Waste / Landfillsites	-	211,760
• Buildings	8,928,382	14,336,339
• Community Facilities	19,705,012	5,273,395
	<b>561,000,450</b>	<b>718,494,033</b>

##### The expenditure will be funded as follows:

• Government grants	506,915,315	693,748,746
• Internal funding	53,093,510	23,514,496
• Service contributions	991,625	1,230,791
	<b>561,000,450</b>	<b>718,494,033</b>

#### Total capital commitments

Already contracted for	561,000,450	718,494,033
Funded	(561,000,450)	(718,494,033)
	-	-

#### Authorised operational expenditure

##### Already contracted for

• Typical Work Stream - Electrification	36,190,332	8,733,710
• Typical Work Stream - Spatial Planning	32,219,510	20,372,741
• Typical Work Stream - Meter conversion and replacement	3,158,860	833,899
• Typical Work Stream - Intergrated Public Transport Network	31,993,865	53,915,104
• Operational Infrastructure projects - Water	1,241,232	20,383,415
• Typical Work Stream - Water savings initiatives	-	222,953
• Typical Work Stream - Financial Management	40,224,083	7,839,991
• Typical Work Stream - Strategic Management - Business plans	30,814,201	30,120,985
• Typical Work Stream - Solid Waste Management - Landfill Sites	81,535,716	-
	<b>257,377,799</b>	<b>142,422,798</b>

#### Total operational commitments

Already contracted for	257,377,799	142,422,798
------------------------	-------------	-------------

#### Operating leases - as lessee (expense)

##### Minimum lease payments due

- within one year	4,084,776	1,164,529
- in second to fifth year inclusive	1,225,032	1,668,721
	<b>5,309,808</b>	<b>2,833,250</b>

Total future minimum sublease payment expected to be received under non-cancellable sublease.

#### Operating Leases consists of the following:

Operating lease payments represent rentals payable by the municipality for certain of its office properties. Leases are negotiated for an average term of five (5) years. No contingent rent is payable.

## City of Mbombela

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### Notes to the Annual Financial Statements

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Figures in Rand

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#### Operating leases - as lessor (income)

##### Minimum lease payments due

- within one year	2,718,044	2,893,763
- in second to fifth year inclusive	2,967,333	5,685,377
- later than five years	296,836	246,416
	<b>5,982,213</b>	<b>8,825,556</b>

Certain of the municipality's equipment and buildings is held to generate rental income. Rental of equipment and buildings is expected to generate rental yields on an ongoing basis. Lease agreements have terms from 3 to 6 years. There are no contingent rents receivable.

# City of Mbombela

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Annual Financial Statements for the year ended 30 June 2018

## Notes to the Annual Financial Statements

Figures in Rand

### 48. Contingencies

#### Contingent liabilities

##### Damage claims

RK Phembe / Minister / Mbombela Local Municipality (MLM) - A claim against council was instituted through High court summons received for unlawful arrest and defamation. The municipality is contesting the claim based on external legal advice through the appointment of KT Mokoena attorneys and legal representatives. A court date was set for October 2013 and plaintiff passed away.	2,050,000	2,050,000
Finishing touch 544 (PTY) LTD vs Mbombela Local Municipality. A damages claim against council through high Court Combined Summons served with case 66425/12 for the UB 40 concert to the amount of R 1 557 166.00. Council is contesting the case through appointed legal representatives, Kruger & Partners. Council requested security of costs of which the plaintiff did not comply with the request.	1,557,166	1,557,166
Teku Trading cc vs Mbombela Local Municipality. A claim against council has been instituted through combined summons. High Court Case number 74689/2014 for the amount of R 2 699 000.00. The case was defended - Our attorneys on record - Swanepoel & Partners - summary Judgment application resisted and filed counter claim.	-	2,699,000
S Mhaule vs Mbombela Local Municipality. A claim against council has been instituted through combined summons - Magistrate's Court with a case number 996/2013 to the amount of R 19 000.00 for "verbal agreement". The case is defended through appointed legal representatives - Nkosi Attorneys & associates.	19,000	19,000
Ensemble Trading 546 LTD / Mbombela Local Municipality (MLM) - A procurement dispute claim through High Court summons emanating from a forged cession of payment agreement which was not honoured by council. Council is contesting the claim based on external legal advice. Council was granted leave to appeal to defend and an undertaking not to proceed with the summary judgment was made by the applicant's legal representatives. The case is dormant.	2,540,043	2,540,043
SCIFIN (PTY) LTD / Mbombela Local Municipality (MLM) - A procurement claim against council due to termination of a service contract between council and Gestetner, which was ceded to SCIFIN. Council is contesting the claim based on external legal advice through appointed legal representatives - Mzuzu Attorneys. A court date was set for 6 August 2013 and the case was therefore postponed sine die. Negotiations are underway by both parties.	535,358	535,358
Basil Read / Mbombela Local Municipality - A claim against council has been instituted through summons for operational expenses, goods supplied & services rendered to the amount of R 1 142 863.64. The claim is defended through Sinky Nkosi/ Meintjies & Khoza Attorney as a legal representatives of the total amount claimed, an amount of R 374 357.60 plus VAT and 15.5% interest was settled out of court as council was not in dispute. Leave to defend the balance amounting to R 768 506.04 was granted.	768,506	768,506
Department of Water Affairs / Mbombela local Municipality - Unilaterally amended agreement for the provision of free raw water for a period of 6 years within the Nsikazi / Kanyamazane area.	11,510,110	11,510,110

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An application was made to National Treasury for condonation of the unauthorised expenditure on conditional grants incurred during 2009/2010 and 2010/2011 financial years. The municipality is awaiting the pending outcome of the request after all supporting evidence was submitted in collaborating of the unauthorised expenditure which was outside the respective conditional grants framework. Municipal (Infrastructure Grant: R 163 400 959 and Public Transport Infrastructure Grant: R 41 177 177)

204,578,136 204,578,136

Mahlatse David Makhubedu // SALGBC and Mbombela Local Municipality. This matter involves the alleged constructive dismissal of the employee who then referred a dispute to the Labour Court. Msikinya Attorneys in Johannesburg are handling the matter.

552,961 552,961

Lomar Gerhardus Breedt // Munisipaliteit van Mbombela  
The applicant brought a claim of unlawful and unjustified arrest against an employee (Traffic Officer) Applicant proceeded and obtained default judgement against the Municipality.

134,893 134,893

Tlou Consulting (Pty) Ltd was appointed under bid 38/2013 to update and maintain the immovable asset register for a period of three years ending 30 June 2017. A dispute has arisen due to non-performance on agreed deliverables as stipulated on the service level agreement. The matter is currently under mediation.

14,052,481 14,052,481

### Total contingent liabilities

238,298,654 240,997,654

### Contingent asset

#### Contract claims

Mbombela Local Municipality / Du Toit smuts & Mathews Phosa Attorneys - Council is claiming for breach of contract for guarantees not sustained. The claim is pursued through external legal representatives appointed - KT Mokoena.

1,135,463 1,135,463

Mbombela Local Municipality / desert wind Properties - Council is claiming for recovery of service contributions and breach of service agreement. The claim is pursued through external legal representatives appointed - K T Mokoena.

7,000,000 7,000,000

Mbombela Local Municipality / Lowveld society - Council is claiming the land that was designated for the Lowveld Show from the Lowveld Society. The claim is pursued through external legal representatives appointed - BDK Attorneys. The value of the land has not been determined.

- 30,000,000

### Total contingent asset

8,135,463 38,135,463

### Total contingencies

246,434,117 279,133,117



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### 49. Related parties

Remuneration of management is disclosed Note 33 to these annual financial statements.

Remuneration of councillors and other in-kind benefits is disclosed in Note 34 and appendix C to these interim financial statements.

Mbombela Economic Development Agency (MEDA) was established by the Municipality as a service utility in terms of Section 86H of the Municipal Systems Act No 32 of 2000 through the passing of the by-law. The municipality has significant influence over the agency. The agency is a dormant section 21 company.

Umsebe Accord is a Non Profit company established to pursue public benefit objectives entrusted with the four municipalities namely, Matola Municipality, The City of Mbabane, Nkomazi Local Municipality and Mbombela Local Municipality. The objectives and functions of the company (entity) amongst others include promotion of local economic development initiatives and meeting the strategic objectives of the four cities as registered in the Memorandum of Incorporation. The Board of Directors constitutes representatives from all the four cities (municipalities) nominated to represent each municipality accordingly.

The Umjindi Local Development Agency (UMLEDA) was incorporated on the 30th of October 2008. The former Umjindi Local Municipality held 100% shares of Umjindi Local Economic Development Agency (UMLEDA). City of Mbombela has at its meeting held 27 October 2016 under item A(11) resolved to approve the name change of the entity to City of Mbombela Economic Development Agency. The name change will be finalised during the 2018/2019 financial year by the new Board of Directors appointed by Council at its meeting 28 June 2018 under item B(5). The objectives and functions of the agency (entity) is to drive and champion local economic development initiatives in order to achieve job creation and poverty alleviation as per the National Development Plan and also to promote investment attraction and SMME development.

Council has at its meeting held 26 February 2015 under item A(4) resolved to approve the establishment of the Mbombela Economic Development Partnership. The Mbombela Economic Development Partnership was constituted as an independent not for profit company established in terms of the Companies Act, No 71 of 2008.

The overriding objective of Mbombela Economic Development Partnership is to meet the City's economic development strategic outcomes in partnership with the community in order to stimulate the economy by focusing on sector support thus creating an enabling environment that will attract investment, stimulate increased job creation, skills transfer, youth and small business development, resource resilience and liveable and safe community development.

The Mbombela Economic Development Partnership is responsible for the following core functions:

- Mobilisation and establishing partnerships for thematic programmes
- Communication, Promotion, Intelligence Distribution
- Coordination and facilitation of spatial, sector and/or project interventions
- Facilitate dialogue amongst key stakeholders

### Related party transactions

#### Description

Grant funding / Subsidy	-	600,000
Grant funding / Subsidy	-	1,108,446
	-	<b>1,708,446</b>

There were no grant or subsidy payments to the entities during reporting period.

# City of Mbombela

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## Notes to the Annual Financial Statements

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### 50. Additional disclosure in terms of Municipal Finance Management Act

#### Contributions to the South African Local Government Association (SALGA)

Opening balance	-	847,684
Current year subscription	7,707,590	6,698,768
Amount paid - current year	(7,707,590)	(6,698,768)
Amount paid - previous years	-	(847,684)
	-	-

#### Audit fees

Opening balance	267,407	-
Current year audit fees	6,127,940	7,472,367
Amount paid - current year	(5,499,958)	(7,204,960)
Amount paid - previous years	(267,407)	-
	<b>627,982</b>	<b>267,407</b>

#### PAYE, UIF and SDL

Opening balance	9,838,469	-
Current year subscription	132,662,937	98,465,506
Amount paid - current year	(122,192,572)	(88,627,037)
Amount paid - previous years	(9,838,469)	-
	<b>10,470,365</b>	<b>9,838,469</b>

The unpaid balance is the amount for June 2018 which was payable in July 2018.

#### Pension and Medical Aid Deductions

Opening balance	14,219,719	-
Current year subscription	188,517,837	154,173,197
Amount paid - current year	(172,418,748)	(139,953,478)
Amount paid - previous years	(14,219,719)	-
	<b>16,099,089</b>	<b>14,219,719</b>

The unpaid balance is the amount for June 2018 which was payable in July 2018.

#### VAT

VAT receivable	50,830,617	86,156,226
Opening balance	85,951,199	33,790,725
Total amount claimed from SARS during the year	82,518,608	110,975,652
Total amount received during the year	(75,248,736)	(122,288,151)
Adjustments	(63,078,609)	(243,013)
Net VAT on accruals	20,688,155	63,715,986
<b>VAT receivable (as per VAT 201)</b>	<b>50,830,617</b>	<b>85,951,199</b>
VAT receivable (as per VAT 201)	30,142,462	22,235,213
Net VAT on accruals	20,688,155	63,715,986
<b>VAT receivable</b>	<b>50,830,617</b>	<b>85,951,199</b>

# City of Mbombela

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### Councillors' arrear consumer accounts

30 June 2018

	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr A Khumba	99	618	717
Cllr TG Mabuza	412	-	412
Cllr BN Mdhuli	261	-	261
Cllr SP Mathonsi	604	-	604
Cllr TMJ Grove Morgan	2,071	-	2,071
Cllr EG Jansen Van Rensburg	1,004	-	1,004
Cllr JJ Mkhabela	30	1,412	1,442
Cllr NE Mkhabela	3,624	-	3,624
Cllr LN Shongwe	709	-	709
Cllr ME Jacobs	7,924	-	7,924
Cllr LT Mlombo	1,681	-	1,681
Cllr LM Bhembe	1,030	1,482	2,512
Cllr NA Mokoena	689	-	689
Cllr PV Mkhathshwa	2,096	10,278	12,374
Cllr L Ngwenyama	451	1,529	1,980
Cllr KG Ndlovu	164	393	557
Cllr MJ Hlophe	1,925	1,653	3,578
Cllr ME Nsimbini	442	5,002	5,444
<b>Total councillors arrear consumer accounts</b>	<b>25,216</b>	<b>22,367</b>	<b>47,583</b>

30 June 2017

	Outstanding less than 90 days R	Outstanding more than 90 days R	Total R
Cllr A Kumba	92	520	612
Cllr L Ngwenyama	383	322	705
Cllr ME Nsimbini	384	3,484	3,868
Cllr PV Mkhathshwa	1,413	4,057	5,470
Cllr TMJ Grove Morgan	714	3,113	3,827
Cllr MJ Hlophe	945	5,935	6,880
Cllr NE Gecelo - Mkhabela	4,081	3,057	7,138
Cllr ME Jacobs	4,306	7,607	11,913
<b>Total councillors arrear consumer accounts</b>	<b>12,318</b>	<b>28,095</b>	<b>40,413</b>

### Distribution losses in terms of MFMA 125(2)(d)(i)

Material losses incurred during the year under review were as follows:

#### Electricity

Electricity purchased (KW)	742,582,966	633,032,042
Electricity sold (KW)	608,663,076	542,085,732
Electricity losses in KW	119,135,524	90,946,311
<b>% loss</b>	<b>16.00</b>	<b>14.37</b>

Electricity losses in KW	119,135,524	90,946,311
Unit cost per KW	0.81	0.81
<b>Electricity losses in Rand value</b>	<b>96,499,774</b>	<b>73,666,512</b>

# City of Mbombela

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### Water

Water pumped and distributed (KI)	4,964,910	4,309,773
Water sold (KI)	3,949,471	3,432,429
Water distribution losses in KI	1,015,439	877,343
<b>% loss</b>	<b>20.50</b>	<b>20.36</b>

### Water distribution losses in KI

Social crime prevention	1,015,439	877,343
Average Cost per KI	4.45	4.45

<b>Water losses in Rand value</b>	<b>4,518,704</b>	<b>3,904,177</b>
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### 51. Deviation from supply chain management regulations

In terms of regulations 36 of the Municipal Supply Chain Management Regulations any deviation from the Supply Chain Management Policy needs to be approved/condoned by the Municipal Manager and noted by Council. The expenses incurred as listed hereunder have been condoned.

Deviations from Supply Chain Management Policy	17,661,468	34,658,676
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Refer to Appendix E for details of the Supply Chain Management deviation.

### 52. Unauthorised expenditure

Opening balance	405,397,005	268,437,404
Add: Unauthorised Expenditure - current year	347,676,266	285,959,601
Less: Amounts condoned	-	(149,000,000)
	<b>753,073,271</b>	<b>405,397,005</b>

### 53. Fruitless and wasteful expenditure

Opening balance	47,725,907	33,173,060
Add: Fruitless and Wasteful Expenditure - excessive prices	-	11,300
Add: Fruitless and Wasteful Expenditure - interest charged	28,110,657	14,541,547
Less: Amounts condoned and written off	(29,027,620)	-
	<b>46,808,944</b>	<b>47,725,907</b>

The fruitless and wasteful expenditure incurred during the reporting period relates to interest charged on payments which were not made within 30 days on receipt of an invoice or statement in compliance with Section 65 of the Municipal Finance Management Act, 2003.

Council has at its meeting held 31 July 2018 under the items E(3), E(4), E(7) and E(10) resolved to condone and write off fruitless and wasteful expenditure incurred during the reporting and prior period. The total amount for the fruitless and wasteful expenditure written off is detailed below:

Fruitless and wasteful expenditure incurred during the 2016/2017 financial year	17,527,620	-
Fruitless and wasteful expenditure incurred during the 2017/2018 financial year	11,500,000	-
	<b>29,027,620</b>	<b>-</b>

# City of Mbombela

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## Notes to the Annual Financial Statements

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### 54. Irregular expenditure

Opening balance	1,448,774,643	1,100,376,886
Add: Irregular Expenditure - current year	175,883,416	348,397,757
Less: Amounts written off	(1,145,454,463)	-
	<b>479,203,596</b>	<b>1,448,774,643</b>

#### Details of irregular expenditure – current year

	Disciplinary steps taken/criminal proceedings	
Appointment of service providers without following the normal supply chain policy and procedures to the latter	Investigation underway	4,217,637
Continuation of multiple expended contracts without following section 116 of the Municipal Finance Management Act no. 56 of 2003 prior to the initial contract expiry dates	Investigation underway	171,665,779

**175,883,416**

Council has at its meeting held 31 July 2018 under item E(5) resolved to write off an amount of R1,1 billion for the irregular expenditure incurred during the previous and current financial year as a result of the continuation of the multiple extended contracts whereby the municipality did not apply Section 116 of the Municipal Finance Management Act No 56 of 2003 prior to the initial contract expiry date. An investigation was conducted in accordance with Section 32 of the Municipal Finance Management Act No 56 of 2003.

#### Details of irregular expenditure written off

Irregular expenditure incurred due to the multiple extension of contracts without following Section 116 of the MFMA no: 56 of 2003 prior to the initial contract expiry dates.	1,145,402,463
Irregular expenditure incurred during 2015/2016 financial year where Supply Chain Management processes were not followed to the latter.	52,000

**1,145,454,463**

# City of Mbombela

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## Notes to the Annual Financial Statements

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### 55. Risk management

#### Financial risk management

The Municipality has exposed to the following risks from its use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Municipality's exposure to each of the above risks and the Municipality's objectives, policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout the annual financial statements.

Council has established a risk management committee, which is responsible for reviewing the effectiveness of the institutional risk management systems, policy, procedures and practices.

#### Credit risk

Is the risk of financial loss to the Municipality if a consumer or counterparty to a financial instrument fails to meet its contractual obligations.

- Trade and other receivables from exchange transactions
- Non-current receivables from exchange transactions
- Investments
- Non-current investments
- Other non- current financial assets
- Cash and cash equivalents

#### Trade and other receivables from exchange transactions

The Municipality's trade and other receivables exposure to credit risk is influenced mainly by the individual risk characteristics of each consumer. Consumer receivables comprise of services supplied by the Municipality such as water, sanitation and rates levied. The Municipality's exposure is continuously monitored. The Municipality establishes an allowance for impairment that represents its estimate of incurred losses in respect of consumer and other receivables. No consumer or other receivables have been pledged as security. Certain consumer and other receivables that were past due have been defaulted on by counterparties, thus legal action has been instituted against these parties in an attempt to recover this debt, where debt is irrecoverable it has been written off. No conditions or terms of the consumer and other receivables have been re-negotiated with counterparties

#### Investments

It is the Municipality's practice to limit its credit risk by only investing in registered banks in terms of the Banks Act, 94 of 1990. Given the high credit ratings of these financial institutions the Municipality does not expect any counterparty to fail to meet its obligation.

#### Cash and cash equivalents

The Municipality limits its credit risk by only banking with registered financial institutions in terms of the Banks Act, 94 of 1990 operating in South Africa.

Maximum exposure to credit risk at reporting date for each class of financial assets was:

Cash and cash equivalent	92,886,779	23,864,280
Non - current investments	18,397,643	17,260,144
Trade and other receivables	97,279,374	142,084,555
Trade receivables from non-exchange transactions	87,028,344	62,343,502
Non-current receivables	3,006,240	2,405,412
Deposits	4,755,819	4,710,819
Other receivables from exchange transactions	98,798,874	81,774,317
	<b>402,153,073</b>	<b>334,443,029</b>

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### Impairment disclosure for current financial assets carried at amortised costs

All of the Municipality's financial assets have been reviewed for indicators of impairment. Refer to Note 7 for the impairment reconciliation of consumer and other receivables.

Market risk is the risk that changes in the market prices, such as interest rates and equity prices will affect the Municipality's income or the value of its holdings of financial instruments.

### Interest rate risk

The Municipality limits its interest rate risk on financial liabilities by ensuring that reasonable fixed interest rates are negotiated on long term borrowings and are therefore not linked to the interest bank repurchase rate. The municipality has only four interest bearing borrowings as indicated in Appendix A.

At year end, financial instruments exposed to interest rate risk were as follows:

- Investments
- Borrowings

### Fair value sensitivity analysis on fixed rate instruments

The Municipality does not account for any fixed rate financial assets and liabilities at fair value through surplus and deficit, therefore a change in interest rates at reporting date will not affect surplus for the year.

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### Liquidity risk

Liquidity risk is the risk that the Municipality will not be able to meet its financial obligations as they fall due. The Municipality's approach to managing liquidity is to ensure as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unauthorised expenditure. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities. Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored. The Municipality has not defaulted on external loans, payables and lease commitment payments being either interest or capital and no re-negotiation of terms were made on any of these instruments.

The table below analyses the entity's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

#### Up to 1 Year

Current portion of borrowings	58,133,948	17,954,254
Other financial liabilities	4,053,040	3,544,397
Trade and other payables from exchange transactions	1,442,471,881	1,290,296,736
Trade and other payables from non - exchange transactions	11,329,165	9,900,399
Consumer deposits	36,919,233	34,593,682
Finance lease liability	4,639,134	1,941,807
	<b>1,557,546,401</b>	<b>1,358,231,275</b>

#### 1 - 5 years

Non - current portion of borrowings	87,005,803	104,326,494
Finance lease liability	876,609	4,632,909
	<b>87,882,412</b>	<b>108,959,403</b>

#### > 5 years

Borrowings	132,169,246	183,422,265
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### Concentration of credit risk

The concentration of the credit risk associated with:

Borrowings	15 %	14 %
Other financial liabilities	1 %	1 %
Trade and other payables from exchange transactions	95 %	95 %



# City of Mbombela

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### 56. Public-Private Partnership - Concession Agreement

The former Mbombela Local Municipality signed a 30 year concession agreement in April 1999 with SembCorp Silulumanzi (Proprietary) Limited previously known as the Greater Nelspruit Utility Company (GNUC) for provision of water and sanitation services as well as servicing the growing expectations of the communities on behalf of the municipality. The concession agreement became effective from 1 November 1999 and is subjected to review every five years through the supplementary agreements. The concession areas boundaries are the municipal boundaries of the previous Nelspruit Transitional Council and any extension of services outside the developed areas are dealt with on a case by case basis.

Supplementary agreement number four (4) was concluded during 2014/2015 financial year and it became effective 1 November 2014 until 31 October 2019 in accordance with five year period review process.

The Concessionaire is obligated to ensure that the communities within the concession area have access to a 24 - hour water supply to all formal households and to use best efforts to improve the number of households in informal areas with 24 - hour water supply. It is also a requirement that the Concessionaire must provide portable water and effluent quality in compliance with the National Water Quality Standards.

The concessionaire leases and operates water services delivery assets within the concession area at a rental of R 189 666.25 per month for the remainder of the term of the Concession agreement. The assets are controlled by the Municipality and are recorded in the assets register of the Municipality as Property, Plant and Equipment. The Concessionaire recognises the right to use those assets as intangible assets in accordance with IFRIC 12. The operating lease commitments for the leased assets has been disclosed in Note 47 to these financial statements.

The concession agreements provides for the concessionaire to maintain, refurbish, rehabilitate and improve the assets within its operations and collection of water and sanitation revenue within the Concession area. The water and sanitation tariffs for the Concessionaire are approved by Council for implementation in terms of section 24 of the Municipal Finance Management Act No.56 of 2003. The concessionaire acts as a project manager for construction of new infrastructure within the concession area which is funded by the Municipality. The Concessionaire is obligated to ensure that the assets are adequately maintained each year.

The concession agreement may be terminated by either party with effect from any date after the natural end of the concession contract in the year 2029 or the date of termination of the concession agreement, whichever is earlier, provided that at least 24 months prior written notice has been given by the party intending to cancel the concession agreement to the other party.

All assets operated by the Concessionaire will be transferred back to the Municipality in a good condition on termination of the concession agreement.

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### 57. Budget differences

**Material differences between budget and actual amounts greater than 10% based on the Table A1 of the budget schedules in accordance with the Municipal Budget and Reporting regulations No.32141**

#### Statement of Financial Performance:

##### Revenue:

#### 1. Rental of facilities and equipment

The variance is mainly due to the underperformance of the Stadia facility. The City has commissioned a due diligence study to ascertain the management model that was adopted by Council at its meeting held 30 November 2017 under item A(7). The adopted management model will ensure that self financial sustainability by unlocking various revenue streams within the stadium precinct.

#### 2. Agency fees

The variance is as a result of the financial accounting and classification basis differences. The total amount (gross inflows) collected on behalf of the (principal) Department of Community Safety, Security and Liason is budgeted for in full however for financial reporting purposes, the gross inflows of economic benefits or service potential does not result in an increase in net assets for the City. The agency commission received or receivable must be recognised as revenue in accordance with the principles of Generally Recognised Accounting Practice (GRAP) 9 on agent and principal relationship.

#### 3. Other own revenue

The variance is mainly attributable to the performance of bad debts recovered revenue item. Council has approved the write off of irrecoverable debts at its meeting held 31 May 2018 under item A(4).

#### 4. Finance Income

The variance is due to the severe cash flow constraints faced by the City. The financial situation has occasioned in minimal investments being made during the year. The City is currently implementing the financial recovery plan as part of the turnaround strategy which was tabled and approved by Council at its meeting held 28 June 2018 under item A(3). The implementation of the approved financial recovery plan is monitored by various internal and external stakeholders on a quarterly basis.

#### 5. Fines

The variance is as a result of inadequate enforcement measures to execute Warrant of Arrest through the Automated Number Plate Recognition Bus. The City is implementing the approved revenue enhancement strategy taking cognisance of the various measures to enhance traffic fines revenue.

##### Expenditure:

#### 6. Finance Costs

The major contributing factor is the interest charged by creditors for payments made after 30 days on receipt of the invoice or statement which has been disclosed in the notes to these annual financial statements as Fruitless and Wasteful Expenditure. The late payment of creditors is mainly due to the severe cash flow constraints faced by the City. The City is currently implementing the approved financial recovery plan in order to achieve the liquidity management objectives and financial sustainability. The other cost driver is the interest cost on the provision for the rehabilitation of landfill sites.

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### 7. Bad Debts Written Off

The variance is attributable to the differences between budgeting and financial accounting. The bad debts are written off against the provision which is made each year based on the collection rate projection. The implementation of the Municipal Standard Chart of Accounts requires that the actual debt written off be disclosed as part of the operating expenses within the Statement of Financial Performance. The debt impairment expense is an part of the gains and losses which is disclosed as impairment loss or gains. Council has approved the write off of irrecoverable debts at its meeting held 31 May 2018 under item A(4).

### 8. Debt Impairment

The variance on debt impairment expense is mainly due to the write off of irrecoverable debt approved by Council at its meeting held 31 May 2018 under item A(4).

### 9. Other Materials

The variance on other materials is due to the classification differences between the municipal Standard Chart of Accounts and Generally Recognised Accounting Practice. The other materials are included as part of consumables- general expenses whilst for budgeting purposes, it is included as part other materials.

### 10. Transfers and Grants paid

The variance is as a result of the basis differences. The 6kl free basic water within the concession area is the major cost driver for the actual expenditure incurred.

### Statement of Financial Position:

#### 11. Current Assets

The variance on the current assets is due to the Value Added Tax (VAT) receivable amount at year end from South African Revenue Services (SARS), the reclassification of land held for sale to Property, Plant and Equipment that was previously classified under inventory and the underperformance on cash and cash equivalent amount at year end. An amount of R147 million was budgeted for cash and cash equivalent in comparison with the actual cash and cash equivalent amount of R92 million. The underperformance on cash and cash equivalent is due to the cash flow constraints faced by the City.

#### 12. Current liabilities

The variance is as a result of the increased trade and other payables from exchange transactions balance, unspent conditional grants and consumer deposits. The City is currently implementing the approved financial recovery plan approved by Council at its meeting held 28 June 2018 under item A(3). The financial recovery plan will enable the City to build cash backed reserves and be able to meet its financial and liquidity management objectives.

### Cash Flow Statement:

#### 13. Net cash flows from operating activities

The variance is due to the under collection of other income items which includes traffic fines, rental of facilities and equipment, revenue collected from bad debts recovered and service contribution revenue. The approved revenue enhancement strategy includes various measures to unlock and enhance the revenue generation and collection for the City.

#### 14. Net cash flows used in investing activities

The variance is mainly due to the increase in non current receivables as a result of the write off of irrecoverable debts approved by Council at its meeting held 31 May 2018 under item A(4).

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### 15. Net cash from financing activities

The variance is due to the repayment of the borrowings during the reporting financial year.

### Changes from the approved budget to the final budget

The changes between the approved and final budget are a consequence of reallocations within the approved budget parameters. The original approved budget was amended to include the roll over committed capital projects, to project and align the revenue and expenditure with the set targets and milestones based on the mid year budget performance assessment and the previous financial year's audited annual financial statements. The changes between the approved adjusted budget and the final approved budget is as a result of the budget virements in line with the approved virement policy of Council.

### 58. Change in accounting estimates

The provision for the rehabilitation of landfill sites was revised at year end and was recognised in the surplus or deficit for the reporting period.

The effect of the change in accounting estimate on the current year's depreciation was an increase of R 20 063 for the Tekwane Landfill site, an increase of R 92 703 for the Barberton Landfill site and a decrease of R 168 652 for the Hazyview Landfill site. The change in accounting estimate was added to the cost of the related asset in the current reporting period. The total overall effect of the future periods is a cumulative net increase in the depreciation cost of R 3 440 061 over the remaining useful life of the related assets. The effect of the change in future periods will be a decrease in the annual depreciation expense amounting to R 20 063 totaling to R 1 645 204 over the remaining useful life of the Tekwane Landfill site, an increase in the annual depreciation expense amounting to R 92 703 totaling to R 2 132 162 over the remaining useful life of the Barberton landfill site and a decrease in the annual depreciation expense amounting to R 168 652 totaling to R 337 304 over the remaining useful life of the Hazyview landfill site. The overall impact on the finance costs will increase by R 82 637 in the following financial year.

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### 59. Financial Sustainability and Liquidity Management

The City has been unable to meet all its current obligations by paying service providers within 30 days on receipt of invoice or statement in accordance with Section 65 of the Municipal Finance Management Act No 56 of 2003. Interest charged by suppliers have been disclosed as fruitless and wasteful expenditure to these financial statements.

The City has incurred a net loss of R182 849 173 on the Statement of financial performance during the reporting period ended 30 June 2018. The net loss takes cognizance of other non-cash items which include depreciation and debt impairment. Liquidity management objectives have not been entirely met as the cash coverage ratio was less than a month which is below the norm of three months and the current ratio was fragile as the current liabilities exceeded the current assets by R 1 276 438 966 with an outcome assessment of less than one. The municipality was not able to maintain 100 per cent level of cash backed reserves during the reporting period. A material amount of receivables have been impaired due to non-collectability. Payment arrangements have been with major suppliers given the financial constraints of the City.

Council has at its meeting approved the liquidity policy at its meeting held 31 May 2017 under item A(3) (c) for implementation. The liquidity policy seeks to give guidance for maintaining sufficient liquidity intensities to meet the liabilities when due under both normal and stressed conditions without incurring any prohibited expenditure. Furthermore, the Revenue Enhancement Strategy for the City was approved by Council at the same sitting under item A(4).

A turnaround plan was developed to improve the liquidity management objectives of the City. The City has also undertaken stringent cost curtailment measures and budget reprioritization in order to minimize the expenditure not relating to service delivery.

The City has also developed Supply Chain Management sourcing strategy which was approved by Council at the meeting held 28 June 2017 under item A(4). One of the objectives of the sourcing strategy is to regulate prices on certain commodities in order to ensure that goods and services are procured in a most economic manner.

The City requested intervention from National Treasury to conduct the Municipal Financial Management Capability Maturity assessment for which the outcome was tabled before Council at its meeting held 28 June 2018 under item A(1). The Municipal Financial Management Capability Maturity Model assess the maturity level of the municipality on various aspects of internal controls, policies and procedures and compliance with Legislation. Furthermore, National Treasury was requested to develop a Financial Recovery Plan that was also tabled before Council at its meeting held 28 June 2018 under item A(3). The City is currently implementing the approved financial recovery plan and all relevant oversight committees and stakeholders will be monitoring the implementation of the plan on a quarterly basis.

The municipality continues to aggressively implement the financial interventions and revenue collection strategies in order to improve financial sustainability and liquidity management objectives.

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### 60. Events after the reporting date

#### **Adjusting event- Irregular expenditure incurred and written off**

The Municipal Public Accounts Committee has recommended to write off an amount of R1,1 billion for Irregular expenditure incurred during the 2016/2017 and prior financial years to Council at its meeting held 29 June 2018. The irregular expenditure is as a result of the continuation of the Multiple extended contracts where the municipality could not apply Section 116 of the Municipal Finance Management Act No 56 of 2003 prior to the initial contracts expiry dates. The investigation was conducted during the reporting period in accordance with Section 32 of the Municipal Finance Management Act No 56 of 2003.

Council subsequently approved the write off based on the recommendation of the Municipal Public Accounts Committee at its meeting held 31 July 2018 under item E(5).

#### **Adjusting event - Fruitless and Wasteful expenditure incurred and written off**

The Municipal Public Accounts Committee has recommended to write off an amount of R17,5 million for 2016/2017 financial year and R11,5 million for 2017/2018 financial year for fruitless and wasteful expenditure incurred. The fruitless and wasteful expenditure recommended for the write off is mainly interest charged by suppliers on payments made after 30 days on receipt of an invoice or statement not in compliance with Section 65 of the Municipal Finance Management Act No 56 of 2003. This is mainly due to the severe cash flow position of the municipality. The investigations were conducted during the reporting period in accordance with Section 32 of the Municipal Finance Management Act No 56 of 2003.

Council subsequently approved the write off of the fruitless and wasteful expenditure due to interest charged by suppliers based on the recommendation of the Municipal Public Accounts Committee at its meeting held 31 July 2018 under item E(3), E(4), E(7) and E(10).

**City of Mbombela**  
**Appendix A**

**Unaudited Schedule of external loans as at 30 June 2018**

<b>Loan Number</b>	<b>Redeemable</b>	<b>Balance at 30 June 2017</b>	<b>Accrued</b>	<b>Redeemed written off during the period</b>	<b>Balance at 30 June 2018</b>		
		<b>Rand</b>	<b>Rand</b>	<b>Rand</b>	<b>Rand</b>	<b>Rand</b>	<b>Rand</b>
<b>Loan Stock</b>							
Stock Loan@ 11.60%	1976/2001	3,000	-	-	3,000	-	-
		<b>3,000</b>	<b>-</b>	<b>-</b>	<b>3,000</b>	<b>-</b>	<b>-</b>
<b>Annuity loans</b>							
DBSA R21 600 000 @ base rate of R203 plus the Margin (10.74%)	2014/2019	9,718,410	1,022,492	461,693	10,279,209	-	-
DBSA R138 600 000 @ base rate of R186 plus the Margin (11.73%)	2014/2029	137,277,567	15,027,372	15,457,196	136,847,743	-	-
DBSA R200 000 000 @ 12.62%	2010/2030	149,527,150	15,327,733	17,809,597	147,045,286	-	-
STD R25 000 000 @ 10.50%	2005/2020	8,179,219	-	2,432,244	5,746,975	-	-
		<b>304,702,346</b>	<b>31,377,597</b>	<b>36,160,730</b>	<b>299,919,213</b>	<b>-</b>	<b>-</b>
<b>Annuity loans</b>							
DBSA R1 881 822.07 @ 14.50%	1998/2018	278,112	19,972	298,123	(39)	-	-
DBSA R1 417 073.38 @ 15%	1999/2019	394,580	45,005	227,288	212,297	-	-
DBSA R915 450.31 @ 16.50%	1999/2019	327,976	43,658	158,956	212,678	-	-
		<b>1,000,668</b>	<b>108,635</b>	<b>684,367</b>	<b>424,936</b>	<b>-</b>	<b>-</b>
Total external loans		<b>305,706,014</b>	<b>31,486,232</b>	<b>36,845,097</b>	<b>300,347,149</b>	<b>-</b>	<b>-</b>

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Appendix B

**Unaudited Analysis of property, plant and equipment as at 30 June 2018**

**Cost**

**Accumulated depreciation**

	Opening Balance	Additions	Disposals	Transfers	Revaluations	Changes in accounting estimates	Closing Balance	Opening Balance	Disposals	Transfers	Depreciation	Impairment loss	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Land and buildings</b>														
Land	641,382,747	-	-	(3,715,721)	-	-	637,667,026	-	-	-	-	-	-	637,667,026
Buildings	1,496,733,025	-	-	-	-	-	1,496,733,025	(547,900,231)	-	-	(61,773,262)	-	(609,673,493)	887,059,532
	<b>2,138,115,772</b>	<b>-</b>	<b>-</b>	<b>(3,715,721)</b>	<b>-</b>	<b>-</b>	<b>2,134,400,051</b>	<b>(547,900,231)</b>	<b>-</b>	<b>-</b>	<b>(61,773,262)</b>	<b>-</b>	<b>(609,673,493)</b>	<b>1,524,726,558</b>
<b>Infrastructure</b>														
Roads, Pavements, Bridges & Storm water	2,924,371,077	10,337,013	(824,129)	26,647,439	-	-	2,960,531,400	(1,262,352,627)	798,140	-	(221,353,765)	-	(1,482,908,252)	1,477,623,148
Water reservoirs & reticulation	2,238,138,016	316,400	-	36,729,821	-	-	2,275,184,237	(753,838,583)	-	-	(69,783,103)	-	(823,621,686)	1,451,562,551
Electricity	1,225,567,896	422,639	(12,057)	8,296,643	-	-	1,234,275,121	(598,175,760)	12,035	-	(64,683,362)	-	(662,847,087)	571,428,034
Waste management	51,270,023	-	-	-	-	3,384,175	54,654,198	(9,425,061)	-	-	(1,010,000)	-	(10,435,061)	44,219,137
Sewerage purification & reticulation	1,056,743,383	-	-	-	-	-	1,056,743,383	(378,099,174)	-	-	(43,211,876)	-	(421,311,050)	635,432,333
	<b>7,496,090,395</b>	<b>11,076,052</b>	<b>(836,186)</b>	<b>71,673,903</b>	<b>-</b>	<b>3,384,175</b>	<b>7,581,388,339</b>	<b>(3,001,891,205)</b>	<b>810,175</b>	<b>-</b>	<b>(400,042,106)</b>	<b>-</b>	<b>(3,401,123,136)</b>	<b>4,180,265,203</b>
<b>Community Assets</b>														
Libraries	21,777,245	-	-	-	-	-	21,777,245	(3,644,070)	-	-	(666,578)	-	(4,310,648)	17,466,597
	<b>21,777,245</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>21,777,245</b>	<b>(3,644,070)</b>	<b>-</b>	<b>-</b>	<b>(666,578)</b>	<b>-</b>	<b>(4,310,648)</b>	<b>17,466,597</b>



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Unaudited Analysis of property, plant and equipment as at 30 June 2018

Cost	Accumulated depreciation
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	Opening Balance	Additions	Disposals	Transfers	Revaluations	Changes in accounting estimates	Closing Balance	Opening Balance	Disposals	Transfers	Depreciation	Impairment loss	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Heritage assets</b>														
Other	2,537,117	-	-	-	-	-	2,537,117	(235,147)	-	-	-	-	(235,147)	2,301,970
	<b>2,537,117</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,537,117</b>	<b>(235,147)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(235,147)</b>	<b>2,301,970</b>
<b>Other assets</b>														
General vehicles	189,901,579	5,297,013	(7,241,077)	-	-	-	187,957,515	(134,340,632)	5,724,337	-	(18,696,389)	-	(147,312,684)	40,644,831
Machinery & equipment	43,773,602	1,820,119	(215,994)	-	-	-	45,377,727	(13,992,627)	172,274	-	(4,472,788)	-	(18,293,141)	27,084,586
Computer Equipment	46,906,204	311,761	(5,834,628)	-	-	-	41,383,337	(22,284,920)	5,711,686	-	(4,684,604)	-	(21,257,838)	20,125,499
Furniture & Fittings	71,514,677	377,584	(818,209)	-	-	-	71,074,052	(33,290,627)	625,822	-	(4,766,785)	-	(37,431,590)	33,642,462
Other Assets - Leased	6,764,920	2,031,317	-	-	-	-	8,796,237	(1,210,022)	-	-	(2,756,429)	-	(3,966,451)	4,829,786
	<b>358,860,982</b>	<b>9,837,794</b>	<b>(14,109,908)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>354,588,868</b>	<b>(205,118,828)</b>	<b>12,234,119</b>	<b>-</b>	<b>(35,376,995)</b>	<b>-</b>	<b>(228,261,704)</b>	<b>126,327,164</b>

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Appendix B

Unaudited Analysis of property, plant and equipment as at 30 June 2018

Cost

Accumulated depreciation

	Opening Balance	Additions	Disposals	Transfers	Revaluations	Changes in accounting estimates	Closing Balance	Opening Balance	Disposals	Transfers	Depreciation	Impairment loss	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Total property plant and equipment</b>														
Land and buildings	2,138,115,772	-	-	(3,715,721)	-	-	2,134,400,051	(547,900,231)	-	-	(61,773,262)	-	(609,673,493)	1,524,726,558
Infrastructure	7,496,090,395	11,076,052	(836,186)	71,673,903	-	3,384,175	7,581,388,339	3,001,891,205	810,175	-	(400,042,106)	-	(3,401,123,136)	4,180,265,203
Community Assets	21,777,245	-	-	-	-	-	21,777,245	(3,644,070)	-	-	(666,578)	-	(4,310,648)	17,466,597
Heritage assets	2,537,117	-	-	-	-	-	2,537,117	(235,147)	-	-	-	-	(235,147)	2,301,970
Other assets	358,860,982	9,837,794	(14,109,908)	-	-	-	354,588,868	(205,118,828)	12,234,119	-	(35,376,995)	-	(228,261,704)	126,327,164
	<b>0,017,381,511</b>	<b>20,913,846</b>	<b>(14,946,094)</b>	<b>67,958,182</b>	<b>-</b>	<b>3,384,175</b>	<b>0,094,691,620</b>	<b>(3,758,789,481)</b>	<b>13,044,294</b>	<b>-</b>	<b>(497,858,941)</b>	<b>-</b>	<b>(4,243,604,128)</b>	<b>5,851,087,492</b>
<b>Construction work in progress</b>														
Infrastructure	959,816,677	389,165,332	-	-	-	-	1,348,982,009	-	-	-	-	-	-	1,348,982,009
	<b>959,816,677</b>	<b>389,165,332</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,348,982,009</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,348,982,009</b>
<b>Intangible assets</b>														
Computers - software & other	15,675,126	1,224,401	-	-	-	-	16,899,527	(4,217,967)	-	-	(1,167,452)	-	(5,385,419)	11,514,108
Licence & servitudes	5,368,637	21,061	-	-	-	-	5,389,698	(777,805)	-	-	-	-	(777,805)	4,611,893
	<b>21,043,763</b>	<b>1,245,462</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>22,289,225</b>	<b>(4,995,772)</b>	<b>-</b>	<b>-</b>	<b>(1,167,452)</b>	<b>-</b>	<b>(6,163,224)</b>	<b>16,126,001</b>
<b>Investment properties</b>														
Investment property	357,261,422	-	(2,604,000)	430,311	-	-	355,087,733	(20,544,847)	-	-	(2,112,006)	-	(22,656,853)	332,430,880
	<b>357,261,422</b>	<b>-</b>	<b>(2,604,000)</b>	<b>430,311</b>	<b>-</b>	<b>-</b>	<b>355,087,733</b>	<b>(20,544,847)</b>	<b>-</b>	<b>-</b>	<b>(2,112,006)</b>	<b>-</b>	<b>(22,656,853)</b>	<b>332,430,880</b>
<b>Total</b>														
Land and buildings	2,138,115,772	-	-	(3,715,721)	-	-	2,134,400,051	(547,900,231)	-	-	(61,773,262)	-	(609,673,493)	1,524,726,558
Infrastructure	7,496,090,395	11,076,052	(836,186)	71,673,903	-	3,384,175	7,581,388,339	3,001,891,205	810,175	-	(400,042,106)	-	(3,401,123,136)	4,180,265,203
Community Assets	21,777,245	-	-	-	-	-	21,777,245	(3,644,070)	-	-	(666,578)	-	(4,310,648)	17,466,597
Heritage assets	2,537,117	-	-	-	-	-	2,537,117	(235,147)	-	-	-	-	(235,147)	2,301,970
Other assets	358,860,982	9,837,794	(14,109,908)	-	-	-	354,588,868	(205,118,828)	12,234,119	-	(35,376,995)	-	(228,261,704)	126,327,164
Construction work in progress	959,816,677	389,165,332	-	-	-	-	1,348,982,009	-	-	-	-	-	-	1,348,982,009
Intangible assets	21,043,763	1,245,462	-	-	-	-	22,289,225	(4,995,772)	-	-	(1,167,452)	-	(6,163,224)	16,126,001
Investment properties	357,261,422	-	(2,604,000)	430,311	-	-	355,087,733	(20,544,847)	-	-	(2,112,006)	-	(22,656,853)	332,430,880
	<b>1,355,503,373</b>	<b>411,324,640</b>	<b>(17,550,094)</b>	<b>68,388,493</b>	<b>-</b>	<b>3,384,175</b>	<b>1,821,050,587</b>	<b>(3,784,330,100)</b>	<b>13,044,294</b>	<b>-</b>	<b>(501,138,399)</b>	<b>-</b>	<b>(4,272,424,205)</b>	<b>7,548,626,382</b>

City of Mbombela  
City of Mbombela  
Appendix B

Unaudited Analysis of property, plant and equipment as at 30 June 2017

Cost						Accumulated depreciation							
Opening Balance	Additions	Disposals	Transfers	Revaluations	Changes in accounting estimates	Closing Balance	Opening Balance	Disposals	Transfers	Depreciation	Impairment loss	Closing Balance	Carrying value
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand

Land and buildings

Land	643,051,697	-	(1,668,950)	-	-	641,382,747	-	-	-	-	-	-	641,382,747
Buildings	1,447,328,733	13,217,775	-	36,186,517	-	1,496,733,025	(491,742,720)	-	-	(56,157,511)	-	(547,900,231)	948,832,794
	<b>2,090,380,430</b>	<b>13,217,775</b>	<b>(1,668,950)</b>	<b>36,186,517</b>	<b>-</b>	<b>2,138,115,772</b>	<b>(491,742,720)</b>	<b>-</b>	<b>-</b>	<b>(56,157,511)</b>	<b>-</b>	<b>(547,900,231)</b>	<b>1,590,215,541</b>

Infrastructure

Roads, Pavements, Bridges & Storm	2,629,507,070	40,133,423	-	254,730,584	-	2,924,371,077	1,068,545,017	-	-	(193,807,610)	-	1,262,352,627	1,662,018,450
Water reservoirs & reticulation	2,094,000,317	311,694	(3,456)	143,829,461	-	2,238,138,016	(690,768,794)	1,125	-	(63,070,914)	-	(753,838,583)	1,484,299,433
Electricity	1,180,576,654	12,273,869	-	32,717,373	-	1,225,567,896	(541,389,426)	-	-	(56,786,334)	-	(598,175,760)	627,392,136
Waste management	53,929,709	350,000	-	(750,285)	(2,259,401)	51,270,023	(8,449,858)	-	-	(975,203)	-	(9,425,061)	41,844,962
Sewerage purification & reticulation	1,044,947,207	(269,570)	-	12,065,746	-	1,056,743,383	(340,269,920)	195,144	-	(38,024,398)	-	(378,099,174)	678,644,209
	<b>7,002,960,957</b>	<b>52,799,416</b>	<b>(3,456)</b>	<b>442,592,879</b>	<b>-</b>	<b>(2,259,401)</b>	<b>7,496,090,395</b>	<b>2,649,423,015</b>	<b>196,269</b>	<b>(352,664,459)</b>	<b>-</b>	<b>3,001,891,205</b>	<b>4,494,199,190</b>

Community Assets

Libraries	21,777,245	-	-	-	-	21,777,245	(2,977,492)	-	-	(666,578)	-	(3,644,070)	18,133,175
	<b>21,777,245</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>21,777,245</b>	<b>(2,977,492)</b>	<b>-</b>	<b>-</b>	<b>(666,578)</b>	<b>-</b>	<b>(3,644,070)</b>	<b>18,133,175</b>

City of Mbombela  
City of Mbombela  
Appendix B

Unaudited Analysis of property, plant and equipment as at 30 June 2017

Cost						Accumulated depreciation							
Opening Balance	Additions	Disposals	Transfers	Revaluations	Changes in accounting estimates	Closing Balance	Opening Balance	Disposals	Transfers	Depreciation	Impairment loss	Closing Balance	Carrying value
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand

Heritage assets

Other	2,537,117	-	-	-	-	-	2,537,117	(235,147)	-	-	-	-	(235,147)	2,301,970
	<b>2,537,117</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>2,537,117</b>	<b>(235,147)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(235,147)</b>	<b>2,301,970</b>

Specialised vehicles

Other assets

General vehicles	188,259,291	1,642,288	-	-	-	-	189,901,579	(113,582,479)	-	-	(20,758,153)	-	(134,340,632)	55,560,947
Plant & equipment	40,973,910	2,799,692	-	-	-	-	43,773,602	(2,839,046)	-	-	(11,153,581)	-	(13,992,627)	29,780,975
Computer Equipment	35,873,832	11,032,372	-	-	-	-	46,906,204	(18,788,363)	-	-	(3,496,557)	-	(22,284,920)	24,621,284
Furniture & Fittings	69,258,156	2,256,521	-	-	-	-	71,514,677	(27,223,597)	-	-	(6,067,030)	-	(33,290,627)	38,224,050
Other Assets - Leased	-	6,764,920	-	-	-	-	6,764,920	-	-	-	(1,210,022)	-	(1,210,022)	5,554,898
	<b>334,365,189</b>	<b>24,495,793</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>358,860,982</b>	<b>(162,433,485)</b>	<b>-</b>	<b>-</b>	<b>(42,685,343)</b>	<b>-</b>	<b>(205,118,828)</b>	<b>153,742,154</b>

City of Mbombela  
City of Mbombela  
Appendix B

Unaudited Analysis of property, plant and equipment as at 30 June 2017  
Cost Accumulated depreciation

	Opening Balance	Additions	Disposals	Transfers	Revaluations	Changes in accounting estimates	Closing Balance	Opening Balance	Disposals	Transfers	Depreciation	Impairment loss	Closing Balance	Carrying value
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Total property plant and equipment</b>														
Land and buildings	2,090,380,430	13,217,775	(1,668,950)	36,186,517	-	-	2,138,115,772	(491,742,720)	-	-	(56,157,511)	-	(547,900,231)	1,590,215,541
Infrastructure	7,002,960,957	52,799,416	(3,456)	442,592,879	-	(2,259,401)	7,496,090,395	2,649,423,015	196,269	-	(352,664,459)	-	(3,001,891,205)	4,494,199,190
Community Assets	21,777,245	-	-	-	-	-	21,777,245	(2,977,492)	-	-	(666,578)	-	(3,644,070)	18,133,175
Heritage assets	2,537,117	-	-	-	-	-	2,537,117	(235,147)	-	-	-	-	(235,147)	2,301,970
Other assets	334,365,189	24,495,793	-	-	-	-	358,860,982	(162,433,485)	-	-	(42,685,343)	-	(205,118,828)	153,742,154
	<b>9,452,020,938</b>	<b>90,512,984</b>	<b>(1,672,406)</b>	<b>478,779,396</b>	<b>-</b>	<b>(2,259,401)</b>	<b>0,017,381,511</b>	<b>3,306,811,859</b>	<b>196,269</b>	<b>-</b>	<b>(452,173,891)</b>	<b>-</b>	<b>3,758,789,481</b>	<b>6,258,592,030</b>
<b>Construction work in progress</b>														
Infrastructure	917,940,653	518,987,189	-	(477,111,165)	-	-	959,816,677	-	-	-	-	-	-	959,816,677
	<b>917,940,653</b>	<b>518,987,189</b>	<b>-</b>	<b>(477,111,165)</b>	<b>-</b>	<b>-</b>	<b>959,816,677</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>959,816,677</b>
<b>Intangible assets</b>														
Computers - software & other	7,745,957	7,929,169	-	-	-	-	15,675,126	(3,220,892)	-	-	(854,428)	(142,647)	(4,217,967)	11,457,159
Licence & servitudes	5,368,637	-	-	-	-	-	5,368,637	(777,805)	-	-	-	-	(777,805)	4,590,832
	<b>13,114,594</b>	<b>7,929,169</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>21,043,763</b>	<b>(3,998,697)</b>	<b>-</b>	<b>-</b>	<b>(854,428)</b>	<b>(142,647)</b>	<b>(4,995,772)</b>	<b>16,047,991</b>
<b>Investment properties</b>														
Investment property	357,261,422	-	-	-	-	-	357,261,422	(18,349,735)	-	-	(2,195,112)	-	(20,544,847)	336,716,575
	<b>357,261,422</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>357,261,422</b>	<b>(18,349,735)</b>	<b>-</b>	<b>-</b>	<b>(2,195,112)</b>	<b>-</b>	<b>(20,544,847)</b>	<b>336,716,575</b>
<b>Total</b>														
Land and buildings	2,090,380,430	13,217,775	(1,668,950)	36,186,517	-	-	2,138,115,772	(491,742,720)	-	-	(56,157,511)	-	(547,900,231)	1,590,215,541
Infrastructure	7,002,960,957	52,799,416	(3,456)	442,592,879	-	(2,259,401)	7,496,090,395	2,649,423,015	196,269	-	(352,664,459)	-	(3,001,891,205)	4,494,199,190
Community Assets	21,777,245	-	-	-	-	-	21,777,245	(2,977,492)	-	-	(666,578)	-	(3,644,070)	18,133,175
Heritage assets	2,537,117	-	-	-	-	-	2,537,117	(235,147)	-	-	-	-	(235,147)	2,301,970
Other assets	334,365,189	24,495,793	-	-	-	-	358,860,982	(162,433,485)	-	-	(42,685,343)	-	(205,118,828)	153,742,154
Construction work in progress	917,940,653	518,987,189	-	(477,111,165)	-	-	959,816,677	-	-	-	-	-	-	959,816,677
Intangible assets	13,114,594	7,929,169	-	-	-	-	21,043,763	(3,998,697)	-	-	(854,428)	(142,647)	(4,995,772)	16,047,991
Investment properties	357,261,422	-	-	-	-	-	357,261,422	(18,349,735)	-	-	(2,195,112)	-	(20,544,847)	336,716,575
	<b>0,740,337,607</b>	<b>617,429,342</b>	<b>(1,672,406)</b>	<b>1,668,231</b>	<b>-</b>	<b>(2,259,401)</b>	<b>1,355,503,373</b>	<b>3,329,160,291</b>	<b>196,269</b>	<b>-</b>	<b>(455,223,431)</b>	<b>(142,647)</b>	<b>3,784,330,100</b>	<b>7,571,173,273</b>

## CITY OF MBOMBELA

## SUPPLEMENTARY SCHEDULE TO THE UNAUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

ANNEXURE C  
ADDITIONAL DISCLOSURE OF COUNCILLOR REMUNERATION

		Allowance	Motor Vehicle Allowance	Medical	Pension	In Kind benefit	Total	Gazette	Cell Phone	Data Allowance	Total	Gazetted Package	Variance	Reason for Variance
<b>FULL-TIME COUNCILLORS</b>														
<b>EXECUTIVE MAYOR</b>														
CC0061	Mr SP Mathonsi	614 117	236 240	25 053	92 597	17 216	985 224	985 224	40 800	3 600	44 400	44 400	0.07	
<b>SPEAKER</b>														
CC0075	Mr MJ Msibi	674 785	-	26 470	73 150	-	774 405	774 405	40 800	3 600	44 400	44 400	-	
<b>CHIEF WHIP</b>														
CC0155	Mr ME Nsimbini	476 831	177 180	-	71 995	-	726 005	726 005	9 000	3 600	12 600	12 600	0.02	
<b>MAYORAL COMMITTEE</b>														
CC0005	Mr A Kumba	511 029	177 180	-	37 796	-	726 005	726 005	40 800	3 600	44 400	44 400	0.02	
CC0011	Ms PV Mashego	492 713	177 180	19 717	36 395	-	726 005	726 005	40 800	3 600	44 400	44 400	0.02	
CC0045	Ms BN Mdluli	484 844	177 180	28 187	35 794	-	726 005	726 005	40 800	3 600	44 400	44 400	0.02	
CC0058	Ms C Maseko	483 659	177 180	29 455	35 710	-	726 005	726 005	40 800	3 600	44 400	44 400	0.02	
CC0107	Ms NE Mkhabela	488 545	177 180	24 203	36 077	-	726 005	726 005	9 000	3 600	12 600	44 400	0.02	
CC0020	Mr PP Nyalunga	474 328	177 180	39 508	34 989	-	726 005	726 005	40 800	3 600	44 400	44 400	0.02	
CC0066	Ms MM Mlimi	508 407	177 180	-	40 418	-	726 005	726 005	40 800	3 600	44 400	44 400	0.02	
CC0133	Ms LE Nyalunga	480 328	177 180	32 750	35 748	-	726 005	726 005	40 800	3 600	44 400	44 400	0.02	
CC0140	Mr GS Siwela	477 442	177 180	36 156	35 228	-	726 005	726 005	40 800	3 600	44 400	44 400	0.02	
CC0143	Mr PV Mkhathshwa	476 829	177 180	36 816	35 180	-	726 005	726 005	9 000	3 600	12 600	44 400	0.02	
	<b>Total EXCO</b>	<b>4 878 125</b>	<b>1 771 798</b>	<b>246 792</b>	<b>363 335</b>	<b>-</b>	<b>7 260 050</b>		<b>344 400</b>	<b>36 000</b>	<b>380 400</b>			
	<b>Total Cost Full-time Councillors</b>	<b>6 643 858</b>	<b>2 185 217</b>	<b>298 316</b>	<b>601 077</b>	<b>17 216</b>	<b>9 745 684</b>							
<b>CHAIRPERSON OF MPAC</b>														
CC0034	Mr KM Mkhonto	447 192	171 983	52 585	32 951	-	704 710	704 710	40 800	3 600	44 400	44 400	(0.02)	
<b>PART-TIME COUNCILLORS</b>														
<b>CHAIRPERSONS SECTION 79 COMMITTEES</b>														
CC0008	Mr DD Ngwenyama	258 820	95 502	-	38 813	-	393 135	393 135	40 800	3 600	44 400	44 400	-	
CC0009	Mr JJ Khoza	258 820	95 502	-	38 813	-	393 135	393 135	40 800	3 600	44 400	44 400	-	
CC0017	Ms TG Mabuza	258 820	95 502	-	38 813	-	393 135	393 135	40 800	3 600	44 400	44 400	-	
CC0018	Mr EM Motobvu	258 820	95 502	-	38 813	-	393 135	393 135	40 800	3 600	44 400	44 400	-	
CC0039	Mr SI Mokoena	258 820	95 502	-	38 813	-	393 135	393 135	40 800	3 600	44 400	44 400	-	
CC0056	Ms TM Charles	258 820	95 502	-	38 813	-	393 135	393 135	40 800	3 600	44 400	44 400	-	
CC0063	Mr JM Mazibane	258 820	95 502	-	38 813	-	393 135	393 135	40 800	3 600	44 400	44 400	-	
CC0122	Mr LT Mlombo	258 820	95 502	-	38 813	-	393 135	393 135	40 800	3 600	44 400	44 400	-	
CC0147	Mr DB Mkhathshwa	258 820	95 502	-	38 813	-	393 135	393 135	40 800	3 600	44 400	44 400	-	
CC0154	Ms MJ Hlophe	258 820	95 502	-	38 813	-	393 135	393 135	33 200	3 600	36 800	44 400	-	
	<b>Total Cost Chairpersons of Section 79 Committees</b>	<b>3 035 394</b>	<b>1 127 004</b>	<b>52 585</b>	<b>421 077</b>	<b>-</b>	<b>4 636 060</b>				<b>480 800</b>			
<b>OTHER PART-TIME MEMBERS</b>														
CC0003	Mr TN Bulunga	196 861	74 417	-	30 243	-	301 521	306 338	40 800	3 600	44 400	44 400	(4 816.62)	Councillor was absent in July and September 2017
CC0012	Ms MS Mashele	201 678	74 417	-	30 243	-	306 338	306 338	40 800	3 600	44 400	44 400	0.02	
CC0038	Mr MC Mhlana	201 678	74 417	-	30 243	-	306 338	306 338	40 800	3 600	44 400	44 400	0.02	
CC0040	Mr JB Mashaba	200 554	74 417	-	31 367	-	306 338	306 338	40 800	3 600	44 400	44 400	0.02	
CC0042	Mr L Maseko	201 678	74 417	-	30 243	-	306 338	306 338	40 800	3 600	44 400	44 400	0.02	
CC0043	Ms RF Mgwenya	201 678	74 417	-	30 243	-	306 338	306 338	40 800	3 600	44 400	44 400	0.02	
CC0044	Mr ME Mhawule	201 678	74 417	-	30 243	-	306 338	306 338	40 800	3 600	44 400	44 400	0.02	
CC0053	Ms BA Nyundu	187 229	74 417	16 737	27 955	-	306 338	306 338	40 800	3 600	44 400	44 400	0.02	
CC0072	Mr SR Schormann	201 678	74 417	-	30 243	-	306 338	306 338	40 800	3 600	44 400	44 400	0.02	
CC0086	Ms Grove Morgan	165 563	74 417	41 762	24 596	-	306 338	306 338	40 800	3 600	44 400	44 400	0.02	
CC0088	Mr EM Sebashe	201 678	74 417	-	30 243	-	306 338	306 338	40 800	3 600	44 400	44 400	0.02	
CC0092	Mr SR Masuku	201 678	74 417	-	30 243	-	306 338	306 338	40 800	3 600	44 400	44 400	0.02	
CC0094	Ms EG Jance Van Rensburg	201 679	74 417	-	30 243	-	306 339	306 338	40 800	3 600	44 400	44 400	1.28	
CC0095	Ms S Van Der Merwe	216 045	74 417	-	15 876	-	306 338	306 338	40 800	3 600	44 400	44 400	0.02	
CC0097	Mr GCB Anthony	201 678	74 417	-	30 243	-	306 338	306 338	40 800	3 600	44 400	44 400	0.02	
CC0098	Ms NM Maganga	201 678	74 417	-	30 243	-	306 338	306 338	40 800	3 600	44 400	44 400	0.02	
CC0099	Ms BA Nyalungu	201 678	74 417	-	30 243	-	306 338	306 338	40 800	3 600	44 400	44 400	0.02	
CC0100	Mr A Thabethe	201 678	74 417	-	30 243	-	306 338	306 338	40 800	3 600	44 400	44 400	0.02	
CC0101	Mr TM Pila	201 678	74 417	-	30 243	-	306 338	306 338	40 800	3 600	44 400	44 400	0.02	
CC0102	Ms RQ Seepsop	201 678	74 417	-	30 243	-	306 338	306 338	40 800	3 600	44 400	44 400	0.02	
CC0103	Mr K Mdluli	216 045	74 417	-	15 876	-	306 338	306 338	40 800	3 600	44 400	44 400	0.02	
CC0104	Mr ST Mash	201 678	74 417	-	30 243	-	306 338	306 338	40 800	3 600	44 400	44 400	0.02	
CC0105	Mr JJ Mkhabela	201 678	74 417	-	30 243	-	306 338	306 338	40 800	3 600	44 400	44 400	0.02	
CC0106	Mr DDT Ngobe	201 678	74 417	-	30 243	-	306 338	306 338	40 800	3 600	44 400	44 400	0.02	

## CITY OF MBOMBELA

## SUPPLEMENTARY SCHEDULE TO THE UNAUDITED ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2018

ANNEXURE C  
ADDITIONAL DISCLOSURE OF COUNCILLOR REMUNERATION

		Allowance	Motor Vehicle Allowance	Medical	Pension	In Kind benefit	Total	Gazette	Cell Phone	Data Allowance	Total	Gazetted Package	Variance	Reason for Variance
CC0108	Ms EN Sibambo	201 678	74 417	-	30 243		306 338	306 338	40 800	3 600	44 400	44 400	0.02	
CC0109	Mr MC Nkosi	201 678	74 417	-	30 243		306 338	306 338	33 200	3 600	36 800	44 400	0.02	
CC0111	Mr NL Lukhele	201 678	74 417	-	30 243		306 338	306 338	40 800	3 600	44 400	44 400	0.02	
CC0112	Ms MG Moyana	216 045	74 417	-	15 876		306 338	306 338	40 800	3 600	44 400	44 400	0.02	
CC0113	Ms ME Jacobs	155 210	74 417	54 003	22 965		306 594	306 338	40 800	3 600	44 400	44 400	256.05	overpaid to recover
CC0115	Ms MC Mhlanga	190 810	74 417	13 785	27 327		306 338	306 338	40 800	3 600	44 400	44 400	0.02	
CC0116	Mr KA Oliver	231 921	74 417	-	-		306 338	306 338	40 800	3 600	44 400	44 400	0.02	
CC0117	Mr MJ Mlomane	201 678	74 417	-	30 243		306 338	306 338	40 800	3 600	44 400	44 400	0.02	
CC0118	Mr GM Nkambule	201 678	74 417	-	30 243		306 338	306 338	40 800	3 600	44 400	44 400	0.02	
CC0119	Mr M Mbewe	201 678	74 417	-	30 243		306 338	306 338	40 800	3 600	44 400	44 400	0.02	
CC0120	Ms ML Sikonela	201 678	74 417	-	30 243		306 338	306 338	40 800	3 600	44 400	44 400	0.02	
CC0121	Mr JV Mhlaba	216 045	74 417	-	15 876		306 338	306 338	40 800	3 600	44 400	44 400	0.02	
CC0123	Mr HB Fakude	201 678	74 417	-	30 243		306 338	306 338	40 800	3 600	44 400	44 400	0.02	
CC0124	Mr DJ Nkosi	201 678	74 417	-	30 243		306 338	306 338	40 800	3 600	44 400	44 400	0.02	
CC0125	Mr DB Nkosi	266 013	-	-	40 325		306 338	306 338	40 800	3 600	44 400	44 400	0.02	
CC0126	Mr AE Fankomo	201 678	74 417	-	30 243		306 338	306 338	40 800	3 600	44 400	44 400	0.02	
CC0127	Mr TK Nyathi	201 678	74 417	-	30 243		306 338	306 338	40 800	3 600	44 400	44 400	0.02	
CC0128	Mr SE Mbuyane	201 678	74 417	-	30 243		306 338	306 338	40 800	3 600	44 400	44 400	0.02	
CC0129	Ms PP Mbowane	181 394	74 417	22 544	28 056		306 411	306 338	40 800	3 600	44 400	44 400	73.36	overpaid to recover
CC0130	Ms SE Makushe	201 678	74 417	-	30 243		306 338	306 338	40 800	3 600	44 400	44 400	0.02	
CC0132	Ms DE Shongwe	201 678	74 417	-	30 243		306 338	306 338	40 800	3 600	44 400	44 400	0.02	
CC0134	Ms FS Nkosi	201 678	74 417	-	30 243		306 338	306 338	40 800	3 600	44 400	44 400	0.02	
CC0135	Mr PCW Minnaar	216 045	74 417	-	15 876		306 338	306 338	40 800	3 600	44 400	44 400	0.02	
CC0136	Ms T Marshall	216 045	74 417	-	15 876		306 338	306 338	40 800	3 600	44 400	44 400	0.02	
CC0137	Mr LM Bhembe	158 671	74 417	49 730	23 519		306 338	306 338	40 800	3 600	44 400	44 400	0.02	
CC0138	Mr HL Shongwe	201 678	74 417	-	30 243		306 338	306 338	9 000	3 600	12 600	44 400	0.02	
CC0139	Ms AS Mthunywa	201 678	74 417	-	30 243		306 338	306 338	40 800	3 600	44 400	44 400	0.02	
CC0141	Ms NA Mokoena	176 808	74 417	30 813	26 466		308 504	306 338	40 800	3 600	44 400	44 400	2 166.13	overpaid to recover
CC0142	Mr PB Mhlanga	201 678	74 417	-	30 243		306 338	306 338	40 800	3 600	44 400	44 400	0.02	
CC0144	Mr EK Manzini	201 678	74 417	-	30 243		306 338	306 338	40 800	3 600	44 400	44 400	0.02	
CC0145	Mr LC Sibiya	201 678	74 417	-	30 243		306 338	306 338	40 800	3 600	44 400	44 400	0.02	
CC0146	Mr HP Celliers	119 183	42 507	-	17 008		178 697	306 338	23 800	2 100	25 900	44 400	(127 640.83)	Pensioned 31 January 2018
CC0148	Ms L Ngwenyama	173 856	74 417	32 172	25 893		306 338	306 338	40 800	3 600	44 400	44 400	0.02	
CC0149	Mr KG Ndlovu	201 678	74 417	-	30 243		306 338	306 338	40 800	3 600	44 400	44 400	0.02	
CC0150	Ms SM Banda	201 678	74 417	-	30 243		306 338	306 338	40 800	3 600	44 400	44 400	0.02	
CC0151	Ms LE Siboza	201 678	74 417	-	30 243		306 338	306 338	40 800	3 600	44 400	44 400	0.02	
CC0152	Mr WP Sibiya	201 678	74 417	-	30 243		306 338	306 338	40 800	3 600	44 400	44 400	0.02	
CC0153	Mr LM Shongwe	201 678	74 417	-	30 243		306 338	306 338	40 800	3 600	44 400	44 400	0.02	
CC0156	Mr BP Nkhoma	201 678	74 417	-	30 243		306 338	306 338	40 800	3 600	44 400	44 400	0.02	
CC0157	Ms TP Mkhatswa	201 678	74 417	-	30 243		306 338	306 338	40 800	3 600	44 400	44 400	0.02	
CC0158	Mr VL Mlimo	216 045	74 417	-	15 876		306 338	306 338	40 800	3 600	44 400	44 400	0.02	
CC0159	Mr LB Nkosi	201 678	74 417	-	30 243		306 338	306 338	40 800	3 600	44 400	44 400	0.02	
CC0160	Mr C Peyper	66 369	25 528	-	9 933		101 831	306 338	13 600	1 200	14 800	44 400	(204 507.39)	deployed March 2018
	<b>Cost Part-Time Councillors</b>	<b>13 259 924</b>	<b>4 830 722</b>	<b>261 546</b>	<b>1 837 988</b>	<b>-</b>	<b>20 190 179</b>				<b>2 887 300</b>			
	<b>Total Other Councillors</b>	<b>16 295 318</b>	<b>5 957 726</b>	<b>314 130</b>	<b>2 259 065</b>		<b>24 826 239</b>				<b>3 368 100</b>			
	<b>Total Cost of Councillors</b>	<b>22 939 176</b>	<b>8 142 943</b>	<b>612 446</b>	<b>2 860 142</b>	<b>17 216</b>	<b>34 571 923</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>3 849 900</b>	<b>-</b>	<b>-</b>	
									<b>38 421 823</b>					

## CITY OF MBOMBELA

UNAUDITED SUPPLEMENTARY SCHEDULE - DEVIATIONS FROM SUPPLY CHAIN MANAGEMENT FOR THE YEAR ENDED 30 JUNE 2018					
APPENDIX E					
Company name	Emergency	Exceptional Cases	Sole Supplier	Urgent Cases	Total
ABARAZANE TRADING CC		162 500.00			162 500.00
ACTOM (PTY) LTD T/A ELECTRICAL PRODUCTS		323 190.00			323 190.00
AFROSHINE HOLDINGS		56 316.00			56 316.00
AJ BROOM ROAD PRODUCTS*		59 930.37			59 930.37
ARCTIPOINT T/A CIVIL DESIGNER SOUTH AFRICA		296 574.53			296 574.53
BARLOWORLD EQUIPMENT (NELSPRUIT)		600 735.89			600 735.89
BELL EQUIPMENT SALES SOUTH AFRICA LIMITED		580 716.48	29 260.86		609 977.34
BGM TRADING 75 CC T/A SUPA QUICK NELSPRUIT		185 552.36			185 552.36
BONTAGE BUSINESS IMPLIMENTATIONS CC			22 537.80		22 537.80
BRIDGESTONE SOUTH AFRICA COMMERCIAL (PTY)LTD		272 564.11			272 564.11
BUHLE BESIVE CONTRACTORS AND CATERING CC		592 264.00	75 000.00		667 264.00
BUUZEKE TRADING CC		32 882.16			32 882.16
BV MBUNGELA		127 624.25			127 624.25
CAB HOLDINGS (PTY)LTD		32 987.00			32 987.00
COLAS SOUTH AFRICA (PTY) LTD		581 075.00			581 075.00
CONLOG		73 867.44			73 867.44
CRAWLEY'S LOCKSMITHS		1 300.00	81 000.00		82 300.00
CRONSEC INVESTMENTS 3		766 950.00			766 950.00
CUSTOSPACE CC		134 116.35			134 116.35
DAVID H BOTHA DU PLESSIS & KRUGER		107 806.00			107 806.00
DEPT OF COMMUNITY SAFETYSECURITY AND LIAISON		84 432.60	56 288.40		140 721.00
DISCOUNT WINDSCREENS(GLASFIT)		8 615.80			8 615.80
DURBAN BRANCH ADAPT IT			180 656.94		180 656.94
EASTERN TRANVAAL RUBBER STAMPS T/A JC MALHERBE		782.00			782.00
EHLANZENI TYRES CC		29 172.60			29 172.60
ELECTRA TATN		4 018.50			4 018.50
ESOH CONSULTING T/A ESCON		38 999.97			38 999.97
ESRI SOUTH AFRICA PTY LTD		490 656.00			490 656.00
EXDEX		7 247.00			7 247.00
FEZA MAPHUPHO TRADING		18 500.00			18 500.00
FIRE SIBINDI ELECTRICAL		18 957.52			18 957.52
FOREST AGRI PTY LTD		16 705.15			16 705.15
FOREST FAIR TWENTY TWO T/A SASOL NELSPRUIT		173 190.00			173 190.00
GIJIMA HOLDINGS (PTY) LTD		108 352.50	36 120.00		144 472.50
GO GLOBAL INTERNATIONAL		28 700.00			28 700.00
GOVERNMENT PRINTING WORKS		33 472.50	336 000.00		369 472.50
HARWARD MEDIA SOLUTIONS		28 700.00			28 700.00
HASLER BUSINESS SYSTEMS (PTY) LTD		3 933.00			3 933.00
IDI TECHNOLOGY SOLUTIONS PTY LTD		71 260.90			71 260.90
ILIOS CONFERENCES		32 500.00			32 500.00
IMBULUNGA PROJECTS		21 800.00			21 800.00
IMPERIAL GROUP LTD		22 127.40			22 127.40
INDWA TRADING 28 CC T/A BIATON PAVING		627 934.08			627 934.08
INSTITUTE OF MUNICIPAL ENGINEERING OF SA (IMESA)			5 200.00		5 200.00
ISAK AND ISAK'S CNSTRUCTION		94 008.00			94 008.00
J BRYNARD T/A AMBER ELEKTRIES		105 329.80	179 420.45		284 750.25
J P BARNARD DRUKKERY OND. CC T/A MINUTEMAN PRESS		12 877.61			12 877.61
JAY BIROS TRADING T/A JAY BIROS		138 000.00			138 000.00
JEBTIE PROPERTIES		9 745.61			9 745.61
JV MDHLULI CONSTRUCTION CC		25 000.00			25 000.00
KOKETSO NP CATERING SERVICES		17 000.00			17 000.00
KT MOKOENA ATTORNEYS		100 372.44			100 372.44
L K H HYDRAULIC SERVICES CC		672 063.00			672 063.00
LAFARGE CEMENT LAFARGE READY MIXED CONCRETE T/A L		184 393.86			184 393.86
LANDIS & GYR (PTY) LTD		977 387.50	334 020.00		1 311 407.50
LEKGAWUTSANE TRADING CC		77 500.00	38 750.00		116 250.00
LITHOTECH SALES PRETORIA (PTY) LTD		42 039.06	42 041.34		84 080.40
LIVEWIRE ENGINEERING & CONSULTING		306 318.00	204 174.00		510 492.00
LOVEDAY LOGISTICS 81		35 000.00			35 000.00
LOWVELD MOTORS(WHITERIVER)		12 013.30			12 013.30
MAKHAYENI SINT TRADING CC		19 865.00			19 865.00
MANDLAKAZI ELECTRICAL TECHNOLOGIES (PTY)LTD	77 625.56	670 412.12		18 508.77	766 546.45
MARCE PROJECTS (PTY)LTD		85 500.00			85 500.00
MEDIA24		42 600.60			42 600.60
MEGA SPACE-ZIM ELECTRICAL JOINT VENTURE		104 670.24			104 670.24
MINOLUZI TRADING		18 500.00			18 500.00
MOBILE ADVANTAGE CELLULAR DATA SOLUTIONS		22 200.00	6 240.00		28 440.00
MSIKINYA ATTORNEYS AND ASSOCIATES			352 876.08		352 876.08
NATIONAL ASPHALT (PTY)LTD		210 680.00	93 366.00		304 046.00
NELSPRUIT AUTO MOTORS PTY LTD		74 684.30	1 356.60		76 040.90
NGANGAZA CONSTRUCTION AND TRANSPORT		171 250.00			171 250.00
NKUNKELA ELECTRICAL CC		64 391.51			64 391.51
NMI DURBAN SOUTH MOTORS T/A UNION MOTORS LOWVELD		786 305.47			786 305.47
NOSA PTY LTD		1 990.00			1 990.00
NST TOWBAR & EXHAUST T/A BESTDRIVE ILANGA NELSPRUI		134 879.90			134 879.90
NTLEMO PROJECTS		3 098.40			3 098.40
NUMBI MOTORS PTY LTD		8 048.36			8 048.36
PAYDAY SOFTWARE SYSTEMS CC		105 240.40			105 240.40
QUICK FIT ELECTRICAL CC				27 964.20	27 964.20
RAND DATA SYSTEMFORMS		46 460.00			46 460.00
ROBBIETECH CC TA PAINT CENTRE		3 705.00	12 320.93		16 025.93
ROCLA (PTY) LTD		802 540.80	78 861.15		881 401.95
RUDAMANS NELSPRUIT PTY LTD		14 879.54			14 879.54
S & J FITTMENT CENTRE CC		88 402.04			88 402.04
SAFICON INDUSTRIAL EQUIPMENT T/A TOYOTA FORKLIFT		21 595.85			21 595.85
SARU INVESTMENTS		53 750.00			53 750.00
SASFIN COMMERCIAL SOLUTIONS (GLOBAL TRADE)		4 800.00			4 800.00
SEMBCORP SILULUMANZI			40 891.57		40 891.57
SIKHUKHULA TRADING ENTERPRISE CC		27 750.00			27 750.00
SINETHANDO GENERAL TRADING		8 096.41			8 096.41
SLAM PAPER DISTRIBUTORS AND COURIERS		11 115.00			11 115.00
SMB DEVELOPMENT PLANET CC			70 000.00		70 000.00
SOBOVU TRADING		28 000.00			28 000.00
SOUTH AFRICAN POST OFFICE			1 440.20		1 440.20



## CITY OF MBOMBELA

UNAUDITED SUPPLEMENTARY SCHEDULE - DEVIATIONS FROM SUPPLY CHAIN MANAGEMENT FOR THE YEAR ENDED 30 JUNE 2018					
APPENDIX E					
STATE INFORMATION TECHNOLOGY AGENCY		103 661.58			103 661.58
STEEL ROPES		3 773.86			3 773.86
SWANEPOEL EN VENNOTE		50 296.05			50 296.05
SYNTELL (PTY) LTD		55 582.12	83 612.33		139 194.45
TAITAI TRADING ENTERPRISE CC		25 500.00			25 500.00
TASK MOTOR VEHICLES		2 798.00			2 798.00
THE INSTITUTE OF RISK MANAGEMENT SOUTH AFRICA		4 218.00			4 218.00
THE LOWVELDER / MPUMALANGA NEWS L 0005908		289 968.60	291 102.06		581 070.66
THOMAS TYRES LOWVELD TYREMART (PTY) LTD		12 590.44			12 590.44
THOMAS TYRES NELSPRUIT COMMERCIAL		74 675.40	51 000.00		125 675.40
TISO BLACKSTAR GROUP		29 964.00	94 433.04		124 397.04
TRUVELO MANU (PTY) LTD		75 019.68	103 857.98		178 877.66
TURNER MORRIS MANUFACTURING (PTY)LTD		13 694.52			13 694.52
TWAIN2		12 297.75			12 297.75
UNDERCAR SPECIALISTS(NELSPRUIT)/A BESTDRIVE NELSPR		13 624.07			13 624.07
VAN WETTENS BREAKDOWN SERVICES CC		6 413.50			6 413.50
VW COMMERCIAL VEHICLES (PALM MOTORS) CC		4 143.90			4 143.90
WARUNA TRADING CC		28 250.00			28 250.00
WESTVAAL MOTOR HOLDINGS PTY LTD		314 947.67			314 947.67
WILD LAB T/A TURFMASTER		3 340.20			3 340.20
WISEPRINT AND COMMUNICATION CC		100 000.00			100 000.00
WORKSHOP ELECTRONICS CC		19 420.80	12 893.40		32 314.20
ZWIDE BUSINESS ENTERPRISE (PTY)LTD		75 000.00			75 000.00
<b>Grand Total</b>	<b>77 625.56</b>	<b>14 622 648.72</b>	<b>2 914 721.13</b>	<b>46 472.97</b>	<b>17 661 468.38</b>

# City of Mbombela

## Appendix G1

### Budgeted Financial Performance (revenue and expenditure by functional classification) for the year ended 30 June 2018

	2017/2018								2016/2017						
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Revenue - Functional</b>															
<b>Municipal governance and administration</b>	1,231,287,580	(7,340,642)	1,223,946,938	-		1,223,946,938	1,163,393,053		(60,553,885)	95 %	94 %				-
Executive and council	1,682,251	-	1,682,251	-		1,682,251	402,813		(1,279,438)	24 %	24 %				-
Finance and administration	1,229,605,329	(7,340,642)	1,222,264,687	-		1,222,264,687	1,158,231,998		(64,032,689)	95 %	94 %				-
Internal audit	-	-	-	-		-	4,758,242		4,758,242	DIV/0 %	DIV/0 %				-
<b>Community and public safety</b>	13,258,937	(5,000,000)	8,258,937	-		8,258,937	5,838,240		(2,420,697)	71 %	44 %				-
Community and social services	1,505,805	-	1,505,805	-		1,505,805	1,588,655		82,850	106 %	106 %				-
Sport and recreation	11,470,694	(5,000,000)	6,470,694	-		6,470,694	4,035,993		(2,434,701)	62 %	35 %				-
Public safety	282,438	-	282,438	-		282,438	213,592		(68,846)	76 %	76 %				-
Housing	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Health	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
<b>Economic and environmental services</b>	816,473,497	(16,865,000)	799,608,497	-		799,608,497	809,181,148		9,572,651	101 %	99 %				-
Planning and development	597,943,080	(1,865,000)	596,078,080	-		596,078,080	543,063,560		(53,014,520)	91 %	91 %				-
Road transport	218,530,417	(15,000,000)	203,530,417	-		203,530,417	266,117,588		62,587,171	131 %	122 %				-
Environmental protection	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
<b>Trading services</b>	1,270,359,611	(11,727,000)	1,258,632,611	-		1,258,632,611	1,171,036,790		(87,595,821)	93 %	92 %				-
Energy sources	979,153,105	-	979,153,105	-		979,153,105	912,852,482		(66,300,623)	93 %	93 %				-
Water management	143,909,525	(9,727,000)	134,182,525	-		134,182,525	130,123,789		(4,058,736)	97 %	90 %				-
Waste water management	29,580,821	1,000,000	30,580,821	-		30,580,821	27,229,465		(3,351,356)	89 %	92 %				-
Waste management	117,716,160	(3,000,000)	114,716,160	-		114,716,160	100,831,054		(13,885,106)	88 %	86 %				-
<b>Other</b>	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
Other	-	-	-	-		-	-		-	DIV/0 %	DIV/0 %				-
<b>Total Revenue - Functional</b>	3,331,379,625	(40,932,642)	3,290,446,983	-		3,290,446,983	3,149,449,231		(140,997,752)	96 %	95 %				-

# City of Mbombela

## Appendix G1

### Budgeted Financial Performance (revenue and expenditure by functional classification) for the year ended 30 June 2018

	2017/2018					2016/2017									
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
<b>Expenditure - Functional</b>															
<b>Governance and administration</b>	<b>615,399,511</b>	<b>116,822,821</b>	<b>732,222,332</b>	-	-	<b>732,222,332</b>	<b>799,462,368</b>	<b>53,834,584</b>	<b>67,240,036</b>	<b>109 %</b>	<b>130 %</b>	-	-	-	-
Executive and council	152,540,847	(8,947,443)	143,593,404	-	(418,170)	143,175,234	192,707,663	49,532,429	49,532,429	135 %	126 %	-	-	-	-
Finance and administration	315,859,775	81,549,332	397,409,107	-	6,978,408	404,387,515	357,862,610	(46,524,905)	(46,524,905)	88 %	113 %	-	-	-	-
Corporate services	146,998,889	44,220,932	191,219,821	-	6,845,215	198,065,036	248,892,095	50,827,060	50,827,059	126 %	169 %	-	-	-	-
<b>Community and public safety</b>	<b>269,283,129</b>	<b>19,792,993</b>	<b>289,076,122</b>	-	<b>34,328,751</b>	<b>323,404,873</b>	<b>330,662,966</b>	<b>7,258,093</b>	<b>7,258,093</b>	<b>102 %</b>	<b>123 %</b>	-	-	-	-
Community and social services	45,640,199	(5,041,279)	40,598,920	-	6,951,093	47,550,013	44,425,745	(3,124,268)	(3,124,268)	93 %	97 %	-	-	-	-
Sport and recreation	177,481,017	24,625,508	202,106,525	-	21,369,323	223,475,848	221,413,693	(2,062,155)	(2,062,155)	99 %	125 %	-	-	-	-
Public safety	35,617,976	2,138,055	37,756,031	-	6,371,370	44,127,401	41,725,695	(2,401,706)	(2,401,706)	95 %	117 %	-	-	-	-
Housing	10,543,937	(1,929,291)	8,614,646	-	(363,035)	8,251,611	23,097,833	14,846,222	14,846,222	280 %	219 %	-	-	-	-
Health	-	-	-	-	-	-	-	-	-	DIV/0 %	DIV/0 %	-	-	-	-
<b>Economic and environmental services</b>	<b>515,133,987</b>	<b>(9,488,793)</b>	<b>505,645,194</b>	-	<b>(67,695,184)</b>	<b>437,950,010</b>	<b>654,945,161</b>	<b>216,995,151</b>	<b>216,995,151</b>	<b>150 %</b>	<b>127 %</b>	-	-	-	-
Planning and development	118,394,521	(9,870,824)	108,523,697	-	9,123,506	117,647,203	326,362,089	208,714,886	208,714,886	277 %	276 %	-	-	-	-
Road transport	388,323,845	(1,099,940)	387,223,905	-	(80,214,635)	307,009,270	315,310,945	8,301,675	8,301,675	103 %	81 %	-	-	-	-
Environmental protection	8,415,621	1,481,971	9,897,592	-	3,395,945	13,293,537	13,272,127	(21,410)	(21,410)	100 %	158 %	-	-	-	-
<b>Trading services</b>	<b>1,280,115,708</b>	<b>150,347,911</b>	<b>1,430,463,619</b>	-	<b>44,550,496</b>	<b>1,475,014,115</b>	<b>1,544,976,940</b>	<b>69,962,824</b>	<b>69,962,825</b>	<b>105 %</b>	<b>121 %</b>	-	-	-	-
Energy sources	741,139,995	60,563,102	801,703,097	-	(1,954,751)	799,748,346	777,593,726	(22,154,621)	(22,154,620)	97 %	105 %	-	-	-	-
Water management	254,609,534	45,214,751	299,824,285	-	34,492,520	334,316,805	320,546,139	(13,770,666)	(13,770,666)	96 %	126 %	-	-	-	-
Waste water management	112,454,146	34,896,920	147,351,066	-	(4,352,682)	142,998,384	139,469,676	(3,528,708)	(3,528,708)	98 %	124 %	-	-	-	-
Waste management	171,912,033	9,673,138	181,585,171	-	16,365,409	197,950,580	307,367,399	109,416,819	109,416,819	155 %	179 %	-	-	-	-
<b>Other</b>	<b>2,925,957</b>	<b>4,288,915</b>	<b>7,214,872</b>	-	<b>(4,589,516)</b>	<b>2,625,356</b>	<b>2,250,970</b>	<b>(374,386)</b>	<b>(374,386)</b>	<b>86 %</b>	<b>77 %</b>	-	-	-	-
Other	2,925,957	4,288,915	7,214,872	-	(4,589,516)	2,625,356	2,250,970	(374,386)	(374,386)	86 %	77 %	-	-	-	-
<b>Total Expenditure - Functional</b>	<b>2,682,858,292</b>	<b>281,763,847</b>	<b>2,964,622,139</b>	-	<b>20,000,000</b>	<b>2,984,622,139</b>	<b>3,332,298,405</b>	<b>347,676,266</b>	<b>347,676,266</b>	<b>112 %</b>	<b>124 %</b>	-	-	-	-
<b>Surplus/(Deficit) for the year</b>	<b>648,521,333</b>	<b>(322,696,489)</b>	<b>325,824,844</b>	-		<b>305,824,844</b>	<b>(182,849,174)</b>		<b>(488,674,018)</b>	<b>(60)%</b>	<b>(28)%</b>				-

**City of Mbombela**  
**Appendix G2**  
**Budgeted Financial Performance (revenue and expenditure by municipal vote)**  
**for the year ended 30 June 2018**

2017/2018										2016/2017					
Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome	
Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	
Revenue by Vote															
Council	9,665	-	9,665	-	9,665	(6,428)		(16,093)	(67)%	(67)%				-	
ffice of the Council	1,256,157	-	1,256,157	-	1,256,157	-		(1,256,157)	- %	- %				-	
Municipal Manager	7,457,899	-	7,457,899	-	7,457,899	6,349,396		(1,108,503)	85 %	85 %				-	
Financial Management	1,216,250,542	(2,430,642)	1,213,819,900	-	1,213,819,900	1,382,701,408		168,881,508	114 %	114 %				-	
Corporate Services	859,076	-	859,076	-	859,076	1,857,239		998,163	216 %	216 %				-	
Public Works and Trasport	591,612,000	(1,865,000)	589,747,000	-	589,747,000	536,207,733		(53,539,267)	91 %	91 %				-	
Ermergy	979,153,105	-	979,153,105	-	979,153,105	912,852,482		(66,300,623)	93 %	93 %				-	
Water and Sanitation	166,438,767	(8,727,000)	157,711,767	-	157,711,767	145,311,296		(12,400,471)	92 %	87 %				-	
Community Services	130,692,659	(8,000,000)	122,692,659	-	122,692,659	106,455,702		(16,236,957)	87 %	81 %				-	
Public Safety and	223,743,818	(19,910,000)	203,833,818	-	203,833,818	44,715,350		(159,118,468)	22 %	20 %				-	
City planning	13,895,828	-	13,895,828	-	13,895,828	13,005,053		(890,775)	94 %	94 %				-	
Total Revenue by Vote	3,331,369,516	(40,932,642)	3,290,436,874	-	3,290,436,874	3,149,449,231		(140,987,643)	96 %	95 %				-	
Expenditure by Vote to be appropriated															
Council	63,150,048	(855,476)	62,294,572	-	(3,697,579)	58,596,993	119,558,610	(60,961,617)	60,961,617	204 %	189 %	-	-	-	
Office Of Council	22,933,592	(1,042,761)	21,890,831	-	(852,704)	21,038,127	22,091,319	(1,053,192)	1,053,192	105 %	96 %	-	-	-	
strategic Management	28,165,656	3,006,246	31,171,902	-	(2,313,059)	28,858,843	32,357,379	(3,498,536)	3,498,536	112 %	115 %	-	-	-	
Municipal Manager	95,763,896	7,770,804	103,534,700	-	7,035,567	110,570,267	90,318,663	20,251,604	(20,251,604)	82 %	94 %	-	-	-	
Financial Management	220,204,943	43,084,769	263,289,712	-	1,063,470	264,353,182	393,869,843	(129,516,661)	129,516,661	149 %	179 %	-	-	-	
Legal Services	2,398,714	(255,911)	2,142,803	-	3,618,787	5,761,590	5,444,091	317,499	(317,499)	94 %	227 %	-	-	-	
Regional Centre coordinator	7,526,612	3,531,854	11,058,466	-	8,377,233	19,435,699	20,216,843	(781,144)	781,144	104 %	269 %	-	-	-	
Corporate Services	146,998,889	44,220,932	191,219,821	-	(7,938,562)	183,281,259	197,020,205	(13,738,946)	13,738,946	107 %	134 %	-	-	-	
Public Works and Trasport	300,986,845	13,556,945	314,543,790	-	15,635,468	330,179,258	248,688,033	81,491,225	(81,491,225)	75 %	83 %	-	-	-	
Ermergy	741,139,995	60,563,102	801,703,097	-	4,093,129	805,796,226	803,381,718	2,414,508	(2,414,508)	100 %	108 %	-	-	-	
Water and Sanitation	310,144,164	58,556,056	368,700,220	-	31,471,395	400,171,615	441,449,175	(41,277,560)	41,277,560	110 %	142 %	-	-	-	
Community Services	388,849,290	30,791,973	419,641,263	-	46,888,892	466,530,155	467,756,040	(1,225,885)	1,225,885	100 %	120 %	-	-	-	
Public Safety	269,922,611	10,107,151	280,029,762	-	(84,506,649)	195,523,113	181,871,663	13,651,450	(13,651,450)	93 %	67 %	-	-	-	
City planning	84,673,037	8,728,163	93,401,200	-	1,124,612	94,525,812	308,274,823	(213,749,011)	213,749,011	326 %	364 %	-	-	-	
Total Expenditure by Vote	2,682,858,292	281,763,847	2,964,622,139	-	20,000,000	2,984,622,139	3,332,298,405	(347,676,266)	347,676,266	112 %	124 %	-	-	-	
Surplus/(Deficit) for the year	648,511,224	(322,696,489)	325,814,735	-	305,814,735	(182,849,174)		(488,663,909)	(60)%	(28)%					

**City of Mbombela**  
**Appendix G3**  
**Budgeted Financial Performance (revenue and expenditure)**  
**for the year ended 30 June 2018**

	2017/2018							2016/2017							
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget Rand	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Revenue By Source															
Property rates	513,666,671	-	513,666,671	-		513,666,671	466,134,061		(47,532,610)	91 %	91 %				370,132,722
Service charges - electricity revenue	941,131,694	-	941,131,694	-		941,131,694	872,307,275		(68,824,419)	93 %	93 %				781,325,862
Service charges - water revenue	96,812,320	1,000,000	97,812,320	-		97,812,320	88,654,354		(9,157,966)	91 %	92 %				83,474,810
Service charges - sanitation revenue	29,580,821	1,000,000	30,580,821	-		30,580,821	27,221,550		(3,359,271)	89 %	92 %				22,983,561
Service charges - refuse revenue	111,001,566	(3,000,000)	108,001,566	-		108,001,566	100,726,518		(7,275,048)	93 %	91 %				83,264,070
Rental of facilities and equipment	24,305,842	(5,000,000)	19,305,842	-		19,305,842	9,878,092		(9,427,750)	51 %	41 %				13,995,228
Interest earned - external investments	8,945,532	(1,000,000)	7,945,532	-		7,945,532	8,581,381		635,849	108 %	96 %				1,864,850
Interest earned - outstanding debtors	26,235,404	3,000,000	29,235,404	-		29,235,404	42,909,473		13,674,069	147 %	164 %				26,375,555
Fines, penalties and forfeits	29,943,988	(15,000,000)	14,943,988	-		14,943,988	6,629,400		(8,314,588)	44 %	22 %				6,592,387
Agency services	193,095,536	(4,910,000)	188,185,536	-		188,185,536	41,992,685		(146,192,851)	22 %	22 %				34,708,403
Transfers and subsidies	695,667,605	-	695,667,605	-		695,667,605	776,203,533		80,535,928	112 %	112 %				494,367,792
Other revenue	63,690,142	(4,430,642)	59,259,500	-		59,259,500	261,188,955		201,929,455	441 %	410 %				30,187,783
Gains on disposal of PPE	-	(3,081)	(3,081)	-		(3,081)	-		3,081	- %	DIV/0 %				-
Total Revenue (excluding capital transfers and contributions)	2,734,077,121	(28,343,723)	2,705,733,398	-		2,705,733,398	2,702,427,277		(3,306,121)	100 %	99 %				1,949,273,023

**City of Mbombela**  
**Appendix G3**  
**Budgeted Financial Performance (revenue and expenditure)**  
**for the year ended 30 June 2018**

	2017/2018							2016/2017							
	Original Budget	Budget Adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. Council approved policy)	Final Budget	Actual Outcome	Unauthorised expenditure	Variance of Actual Outcome against Adjustments Budget	Actual Outcome as % of Final Budget	Actual Outcome as % of Original Budget	Reported unauthorised expenditure	Expenditure authorised in terms of section 32 of MFMA	Balance to be recovered	Restated Audited Outcome
	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand	Rand
Expenditure By Type															
Employee related costs	731,750,478	26,453,471	758,203,949	-	-	758,203,949	793,706,292	35,502,343	35,502,343	105 %	108 %	-	-	-	576,338,064
Remuneration of councillors	39,597,755	-	39,597,755	-	-	39,597,755	38,421,823	(1,175,932)	(1,175,932)	97 %	97 %	-	-	-	30,680,102
Debt impairment	57,986,805	15,981,344	73,968,149		-	73,968,149	378,672,889	304,704,740	304,704,740	512 %	653 %	-	-	-	23,416,680
Depreciation & asset impairment	260,361,138	254,454,955	514,816,093		-	514,816,093	501,384,906	(13,431,187)	(13,431,187)	97 %	193 %	-	-	-	455,223,430
Finance charges	25,770,315	(5,969,778)	19,800,537	-	10,086,045	29,886,582	65,472,844	35,586,262	35,586,262	219 %	254 %	-	-	-	48,663,685
Bulk purchases	640,935,084	45,178,254	686,113,338	-	-	686,113,338	706,901,233	20,787,895	20,787,895	103 %	110 %	-	-	-	606,735,065
Other materials	54,903,961	(3,979,081)	50,924,880	-	398,615	51,323,495	46,421,937	(4,901,558)	(4,901,558)	90 %	85 %	-	-	-	49,796,839
Contracted services	535,270,374	(40,667,881)	494,602,493	-	64,719,292	559,321,785	515,660,413	(43,661,372)	(43,661,372)	92 %	96 %	-	-	-	606,325,922
Transfers and subsidies	47,365,111	(5,154,720)	42,210,391	-	10,967,817	53,178,208	35,502,780	(17,675,428)	(17,675,428)	67 %	75 %	-	-	-	39,270,698
Other expenditure	288,917,271	(4,532,717)	284,384,554	-	(66,171,769)	218,212,785	250,153,287	31,940,502	31,940,502	115 %	87 %	-	-	-	264,500,092
Total Expenditure	2,682,858,292	281,763,847	2,964,622,139	-	20,000,000	2,984,622,139	3,332,298,404	347,676,265	347,676,265	112 %	124 %	-	-	-	2,700,950,577
Surplus/(Deficit)	51,218,829	(310,107,570)	(258,888,741)	-	(20,000,000)	(278,888,741)	(629,871,127)	(347,676,265)	(350,982,386)	226 %	(1,230)%				(751,677,554)
Transfers and subsidies - capital (monetary allocations) (National / Provincial and District)	597,302,395	(12,592,000)	584,710,395	-		584,710,395	447,021,953		(137,688,442)	76 %	75 %				638,016,606
Surplus/(Deficit) after capital transfers & contributions	648,521,224	(322,699,570)	325,821,654	-		325,821,654	(182,849,174)		(508,670,828)	(56)%	(28)%				(113,660,948)
Surplus/(Deficit) after taxation	648,521,224	(322,699,570)	325,821,654	-		325,821,654	(182,849,174)		(508,670,828)	(56)%	(28)%				(113,660,948)
Surplus/(Deficit) attributable to municipality	648,521,224	(322,699,570)	325,821,654	-		325,821,654	(182,849,174)		(508,670,828)	(56)%	(28)%				(113,660,948)
Surplus/(Deficit) for the year	648,521,224	(322,699,570)	325,821,654	-		325,821,654	(182,849,174)		(508,670,828)	(56)%	(28)%				(113,660,948)